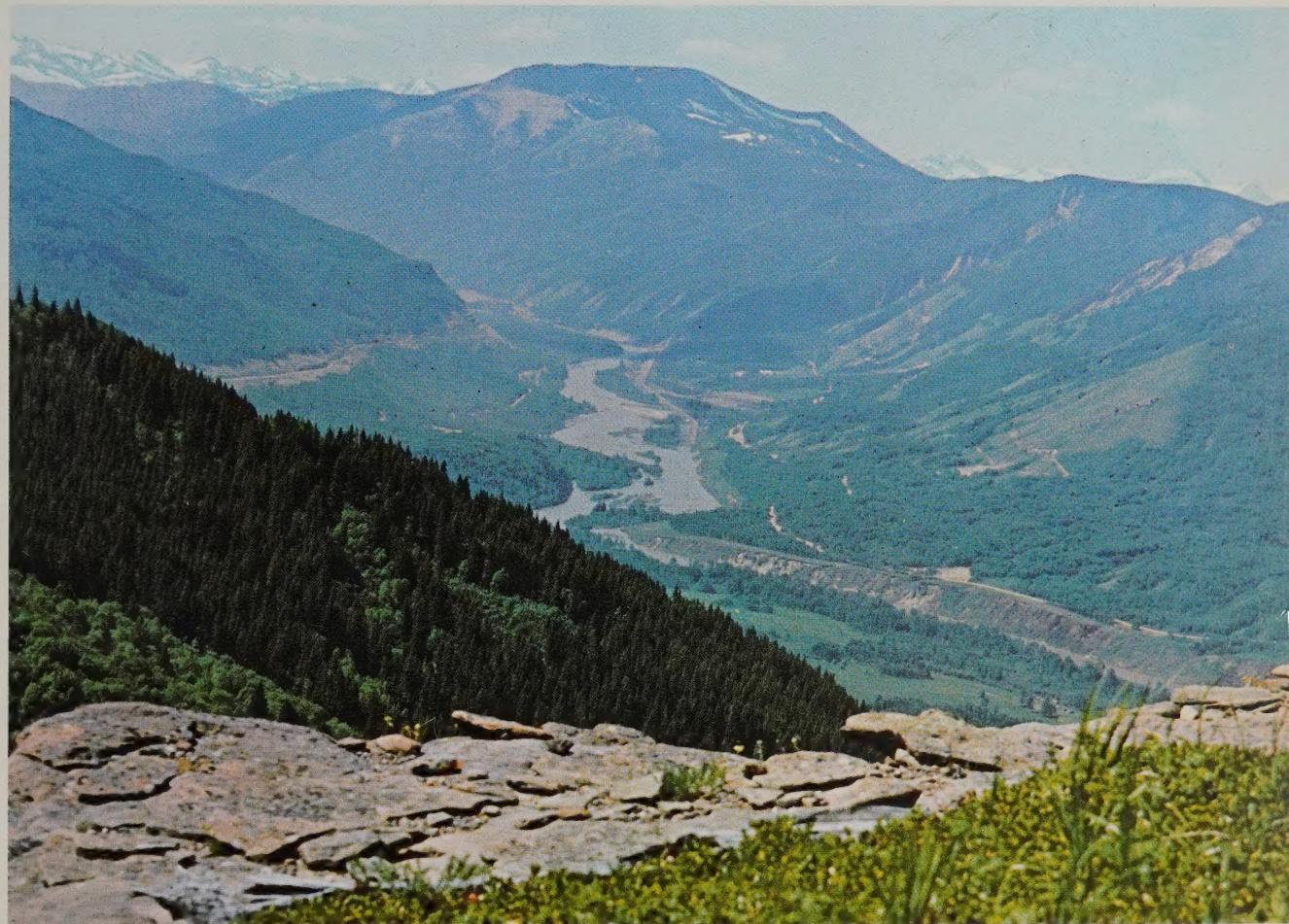


AR23



ANNUAL REPORT 1968

#### **ABOUT OUR COVER**

#### **ABOUT OUR NEW SYMBOL**



The Smoky River Valley pictured on the cover is the scene of the Company's new Alberta coal mining operations which will supply approximately thirty million long tons of coking coal over a period of fifteen years to a consortium of steel mills in Japan.

The minesite, serviced by the Alberta Resources Railway, lies about 100 miles north of Jasper, Alberta, in the picturesque foothills of the Rocky Mountain Range. ~~which are soon to be deforested.~~

The new symbol that has been adopted as a distinguishing medium by McIntyre was designed to portray the Company's international sweep by the use of the pyramidal "M". Represented in the projected base line is McIntyre's stability and growth.

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11:00 o'clock a.m., (Toronto time) on Wednesday, May 7th, 1969, in the Alberta Room, Royal York Hotel, Toronto, Ontario.

## CONTENTS

	Page
Corporate data .....	2
Directors, officers, mine managers .....	3
Financial summary .....	4
Directors' report .....	5
Balance sheet, consolidated .....	12-13
Source and application of funds, consolidated .....	14
Statement of earnings, consolidated .....	15
Statement of retained earnings, consolidated .....	16
Auditors' report .....	16
Notes to consolidated financial statements .....	17
Investment portfolio .....	19
The McIntyre Mine	
Statement of operating income .....	20
Copper ore reserves .....	21
Gold ore reserves .....	21
The Lorraine Mine	
Statement of operating income .....	21
Financial review .....	22-23
Exploration offices .....	24





**Capital Stock**

Authorized: 3,000,000 shares without par value  
Issued: 2,389,282 shares

**Location of Mines**

The McIntyre Mine, Schumacher, Ontario  
The Madeleine Mine, Ste. Anne des Monts, Quebec  
McIntyre Coal Mines, Smoky River, Alberta

**Executive and Head Office**

Suite 1200, 55 Yonge Street  
Toronto 1, Ontario

**Auditors**

Thorne, Gunn, Helliwell & Christenson  
Chartered Accountants, Toronto, Ontario

**Transfer Agents**

Canada Permanent Trust Company, Toronto, Ontario  
and Calgary, Alberta

Bankers Trust Company, New York

**Registrars**

Crown Trust Company, Toronto, Ontario  
and Calgary, Alberta

The Chase Manhattan Bank (National Association),  
New York

**†Directors**

D. L. BOHANNAN  
*Vice-President — Engineering,  
Canadian Superior Oil Ltd., Calgary, Alberta*

J. K. B. BOOTH  
*Consulting Geologist,  
Toronto, Ontario*

F. R. BURTON  
*President,  
Alminex Limited, Toronto, Ontario*

MURRAY CHRISTIAN  
*Vice-President and General Counsel,  
The Superior Oil Company, Houston, Texas*

\*MARSH A. COOPER  
*President and Chief Executive Officer of the Company*

N. F. W. H. D'ARCY  
*President,  
Locana Corporation Limited, London, England*

\*A. E. FELDMAYER  
*President and Managing Director,  
Canadian Superior Oil Ltd., Calgary, Alberta*

\*H. J. FRASER  
*President and Managing Director,  
Falconbridge Nickel Mines Limited, Toronto, Ontario*

J. K. GODIN  
*Executive Vice-President of the Company*

J. O. HAMBRO  
*Chairman,  
Hambros Bank, Limited, London, England*

W. M. KECK, JR.  
*Director and Member of the Finance Committee  
The Superior Oil Company, Houston, Texas*

D. G. C. MENZEL  
*Partner, Campbell, Godfrey and Lewtas, Toronto, Ontario*

G. H. STEER  
*Partner, Milner & Steer, Calgary, Alberta*

\*Member of the Advisory Committee

**†Officers**

MARSH A. COOPER  
*President and Chief Executive Officer*

J. K. GODIN  
*Executive Vice-President*

J. B. ANDERSON  
*Vice-President Operations*

W. T. KILBOURNE II  
*Vice-President Corporate Affairs*

F. T. MCKINNEY  
*Corporate Secretary*

O. J. SHORE  
*Treasurer*

†As at December 31, 1968.

**Mine Managers**

A. A. ADAMSON  
*The McIntyre Mine, Schumacher, Ontario*

G. E. LACAILLE  
*The Madeleine Mine, Ste. Anne des Monts, Quebec*

G. COOK  
*McIntyre Coal Mines, Smoky River, Alberta*

## SUMMARY

	1968	1967
Net income .....	\$ 6,738,000	\$ 7,318,000
Per share .....	\$2.82	\$3.06
Dividends .....	\$ 5,496,000	\$ 6,689,000
Per share .....	\$2.30	\$2.80
Investments		
At cost .....	\$111,028,000	\$ 99,195,000
Per share .....	\$46.47	\$41.52
At market value .....	\$203,387,000	\$177,943,000
Per share .....	\$85.12	\$74.48
Metal production		
Copper - pounds .....	12,089,000	14,431,000
Gold - ounces .....	106,000	109,000
Nickel - pounds .....	619,000	1,478,000
Silver - ounces .....	99,000	113,000



## DIRECTORS' REPORT to the Shareholders

This is the fifty-seventh annual report of your Company.

Net income for 1968 amounted to \$2.82 per share compared with \$3.06 per share in 1967, a decrease of 8%. The reduced earnings are attributable to the cessation of mining operations at the Lorraine mine at Belleterre, Quebec, and lower profit from the McIntyre mine at Schumacher. Investment income and Emergency Gold Mining Assistance were little changed from a year ago.

The quoted market value of the investment portfolio at December 31, 1968, was \$203.4 million, compared with \$177.9 million a year earlier, an increase of \$25.5 million.

Dividends paid in 1968 totalled \$2.30 per share compared with \$2.80 in 1967.

The highlight of the year was the successful conclusion of negotiations with Japanese consumers for the sale of 29.5 million long tons of metallurgical coal from the Company's Smoky River property in north-western Alberta. The fifteen-year, \$450 million contract calls for deliveries to begin in mid-1970. The coal project, which will be operated as a division of the Company, will add

significantly to future earnings. In addition, it will provide a valuable boost to the economy of Canada and Alberta, and will open up a hitherto undeveloped area of the west.

The mine complex will require an investment estimated at \$43 million. To this will be added an estimated \$4 million covering the Company's participation in the new town of Grande Cache.

The year also saw construction activity, under your Company's direction, at the new Madeleine copper mine in the Gaspe area of Quebec. Production is scheduled to begin in the second quarter of 1969. Besides contributing to the earnings of McIntyre, the mine will enhance the economy of the area.

The exploration program was broadened and strengthened, and aggressive search for new mines continued in Canada, the United States, Australia and New Zealand.

### McINTYRE MINE

During the year 719,710 tons of copper ore were milled from which 10,682,000 pounds of copper and 11,891 ounces of gold were recovered. Gold ore milled totalled 329,010 tons for a production of 93,187 ounces of gold and 9,017 ounces of silver. Value of metals produced was \$9,737,000. Operating income with E.G.M.A. and after write-offs was \$2,146,000.

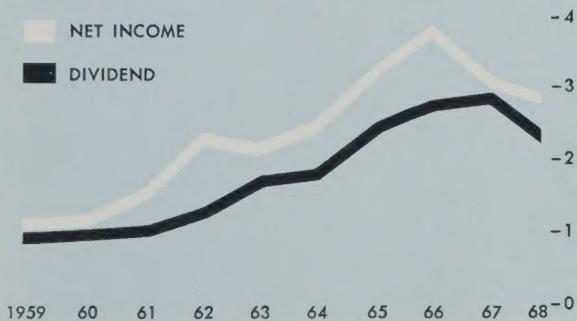
Following the closing of the Hollinger mine, operation of their pumping system was taken over in August. A lease was also obtained for the development and mining of any ore left on the property. Work under this agreement has shown some encouraging results and is continuing.

During the year the work force was decreased by 47 men. This reduction was made possible by changes in organization and should result in a more efficient operation.

### Copper Development

Development totalled 17,734 feet comprised of 13,995 feet of lateral work and 3,739 feet of raising. Of the above total 14,720 feet were for stope preparation

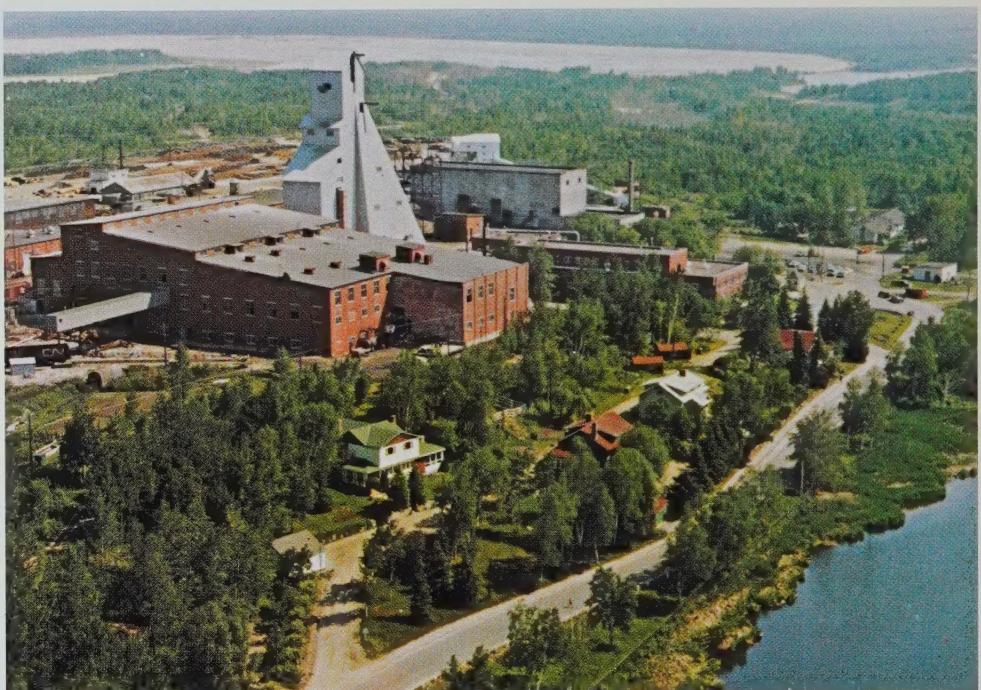
**NET EARNINGS & DIVIDENDS**  
IN DOLLARS PER SHARE



**NET EARNINGS & DIVIDENDS**  
IN MILLION DOLLARS



The Schumacher  
Mine 1969 —  
in operation  
since 1911



Artist's concept  
of the new Town  
of Grande Cache,  
Alberta, where the  
Smoky River Coal  
Division employees  
and their families  
will live.



and 3,014 feet for permanent haulage ways, ore passes and ventilation openings. Diamond drilling amounted to 24,145 feet.

Additional drilling was done on the downward extension of the copper zone on the Westfield Minerals property. The area above the 3625 level is now being prepared for stoping.

### Gold Development

Lateral development totalled 1,116 feet with 252 feet in ore averaging 0.352 ounce per ton over a width of 6.9 feet. Production from the Hollinger lease was 49,037 tons or 15% of the total. Approximately 22% of the production consisted of broken ore salvaged from old shrinkage stopes. Although this material was of low cost, inclusion did result in some reduction in the mill head grade.

During the latter part of the year mining in the number 15 shaft area was temporarily discontinued to consolidate operations in other areas. Workings in this area are being maintained so that stoping can be resumed if economic conditions warrant.

### Ore Reserves

Additional copper ore outlined during the year replaced much of the ore mined and the reduction in reserve tonnage was less than 5%. Gold reserves decreased by 17% or 135,900 tons.

### SMOKY RIVER COAL DIVISION

Key Management positions for the new project have been filled with experienced personnel who are now supervising the engineering design for the surface facilities and

underground development. It is expected that most major construction contracts will have been awarded in time for work to begin during April, 1969.

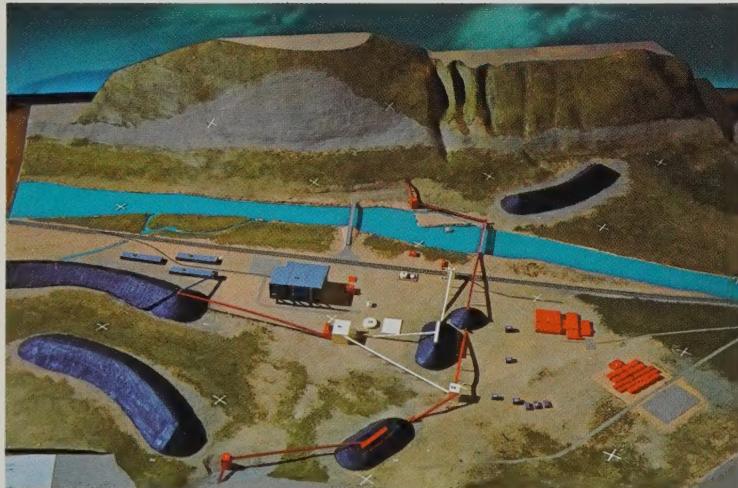
It is planned to mine the coal for the present contract by underground methods using longwall techniques. The coal will be cleaned in a modern heavy-media preparation plant, thermally dried, and then loaded into unit trains of up to 10,000 tons capacity. Canadian National Railways will handle these trains over the Alberta Resources Railroad to Entrance, Alberta and then via the Canadian National line to Neptune Terminals in Vancouver Harbour where it will be loaded for shipment.

An all weather road into the mine site is being constructed and the building of a construction camp and underground development were in progress at year end. An agreement was reached with Canadian Utilities Limited of Calgary, Alberta, to supply power for the mine and a transmission line from Simonette, about 60 miles away, is now being erected. Canadian Utilities are preparing a feasibility study for an on-site thermal-electric generating station to utilize reject coal.

Personnel from the mine will live in the modern new town of Grande Cache to be constructed ten miles south of the minesite. In the initial stages the town will be administered by the Alberta Government. Civil engineering design for the townsite has been completed and a total of 172 houses and an apartment building are scheduled for completion by September 1969. Complete shopping facilities and a hospital are also planned for the town and the Alberta Government will provide educational facilities up to and including high school level.

### MADELEINE MINES LTD.

Madeleine Mines Ltd. (Les Mines Madeleine Ltee) was incorporated in February 1968 to take over the assets



Scale model of  
Smoky River No. 2  
mine plant area.

of Wexford Mines Limited consisting primarily of an orebody in the Gaspe Park area of Quebec. Ore reserves on the property are calculated at 5,295,000 tons averaging 1.36% copper after allowing for dilution. Production is scheduled to commence in the second quarter of 1969 at a rate of 2,500 tons per day. By December 31, 1968 McIntyre had advanced \$6,215,000 of its commitment of \$15 million to finance the property to production.

On surface, the main buildings are nearing completion and equipment is being installed. By year-end, Hydro-Quebec had completed its transmission line to the property and work on the access road was well advanced.

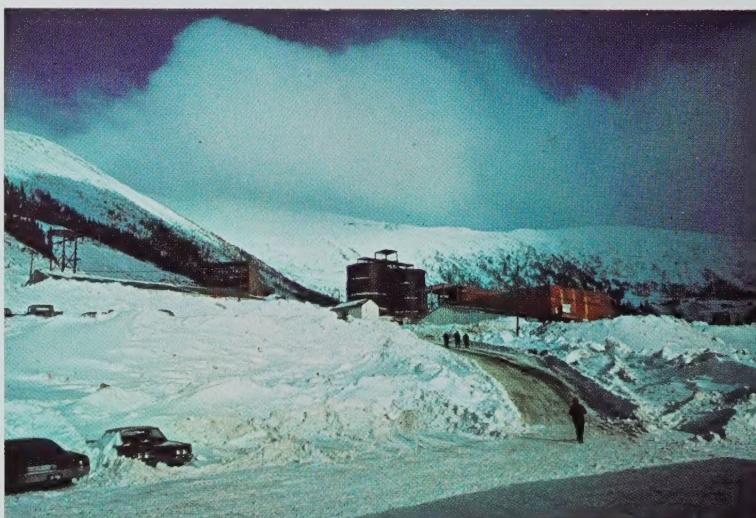
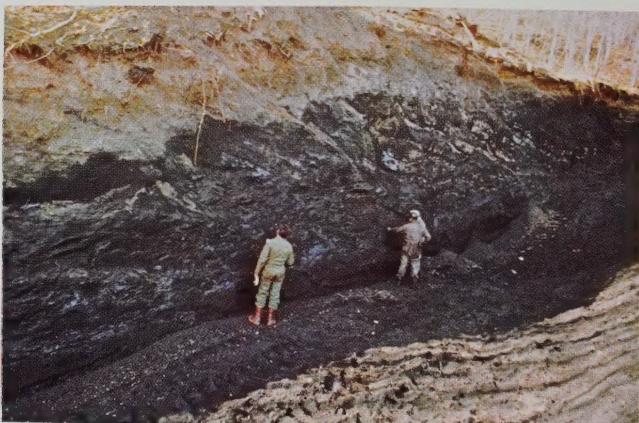
Underground development, which is being carried out from three adits, totalled 17,437 feet, made up of 14,004

feet of lateral work and 3,433 feet of raising. Development of three stopes is almost finished and production blast-hole drilling has been started. Stope development to date has confirmed ore outlines and grades as estimated from surface diamond drilling. No exploratory work was done during the year.

#### LORRAINE MINE

Mining terminated on August 17th, with the hoisting of the last available ore and completion of the final exploratory testing.

During the 1968 production period, 113,693 tons of ore averaging 0.59% copper and 0.32% nickel were



Top left —  
*At the Smoky River minesite*

Top right —  
*The Smoky River No. 4 seam*

Lower left —  
*The Madeleine minesite, 1969*

treated. In all, 10,277 dry tons of concentrate containing 1,407,000 pounds of copper and 619,000 pounds of nickel were produced. Mine operating profit amounted to \$285,000.

Salvage of underground equipment and mill clean-up have been completed. Plans are to dispose of all mine assets as rapidly as possible. Plant and equipment had an estimated value of \$375,000 when operations ceased and sales to December 31, 1968, totalled \$280,000.

The Company continues to own and operate the Winneway Power Plant which supplies power to the Town of Belleterre and local industry.

#### INVESTMENTS

During the year, 56,600 shares of Falconbridge Nickel Mines Limited were purchased. At year-end, a total of 1,838,201 shares was held, equivalent to approximately 37.5% of the total issued Falconbridge shares.

Early in the year, McIntyre's 238,235 shares of Wexford Mines Limited were exchanged for the same number of shares of Madeleine Mines Ltd., the successor company. On a distribution of Madeleine shares by Frobex Limited in the ratio of one share of Madeleine for each five shares of Frobex held, McIntyre received a further 200,000 Madeleine shares. On December 31, 1968, 496,880 shares and \$6,211,000 income bonds of Madeleine were received under the financing commitment by McIntyre. The agreement calls for McIntyre to provide \$12.5 million to bring the property to production through the purchase of 5% income bonds and shares of Madeleine in units of one \$1,000 income bond and 80 shares at a price of \$1,000 per unit. If necessary, McIntyre will provide a further \$2.5 million, through the purchase of income bonds at par. McIntyre's year-end holding of 935,115 shares of Madeleine represents 22.25% of the outstanding capital stock of that company. Frobex Limited, in which McIntyre continues to hold a major interest, retains 967,647 shares of Madeleine following the distribution referred to above.

#### FALCONBRIDGE

Earnings for 1968 of \$4.88 per share, are down from \$5.26 per share in 1967. Dividends received from Falconbridge were \$6,373,000 or \$2.67 per share of McIntyre.

The lower Falconbridge earnings reflect the decrease in dividend income from subsidiary and associated companies and higher depreciation, preproduction and development write-offs. These factors more than offset increased earnings from the nickel operations and the initial income from Wesfrob.

On December 30, 1968, Falconbridge raised its selling price for nickel from \$0.94 (U.S.) to \$1.03 (U.S.) per pound.

Expansion of production facilities at Sudbury continued throughout the year. The Longvack South Mine reached full production in October, but the larger Strathcona mine had yet to reach full capacity at year-end. Ore reserves were increased substantially during the year with the inclusion of new tonnages in the Longvack South, Strathcona and other mines.

Construction of the iron plant at Sudbury, which will produce a high iron-low nickel product, continued throughout the year. Commencement of production from the first stage of this project is scheduled for late 1969.

Wesfrob, which commenced production in mid-1967, and then was forced to suspend production due to a fire in the surface plant, resumed normal operations in April, 1968.

During the year Falconbridge announced intentions of bringing into production its nickel laterites in the Dominican Republic. Plans call for the construction of a plant and facilities which will produce annually at least 60 million pounds of nickel in the form of ferro-nickel. Construction is scheduled to start in May, 1969, and be completed by late 1971. The additional cost of this project is estimated at about \$180 million (U.S.).

**INVESTMENT PORTFOLIO**  
IN DOLLARS PER SHARE OF MCINTYRE



**INVESTMENT PORTFOLIO**  
IN MILLION DOLLARS



## EXPLORATION

McIntyre's search for new mines continued aggressively during 1968 and included a number of major projects in Canada, Australia and New Zealand.

Diamond drilling was conducted on fifteen properties in Canada. Some mineralized intersections were encountered on ten of these properties, but they were not of a size or grade to constitute an orebody. Two narrow, high grade, copper-gold intersections were obtained late in the year on a property in Quebec and drilling is continuing.

Airborne geophysical surveys completed over two areas in eastern Canada resulted in a number of claim groups being designated for detailed ground investigation.

Exploration permits covering 600 square miles were acquired in the Wollaston Lake area of northern Saskatchewan and an additional 300 square miles obtained under an option agreement. An extensive search for uranium in this area will be carried out in 1969. In central British Columbia, a number of claim groups are held on which further surface work and diamond drilling are required.

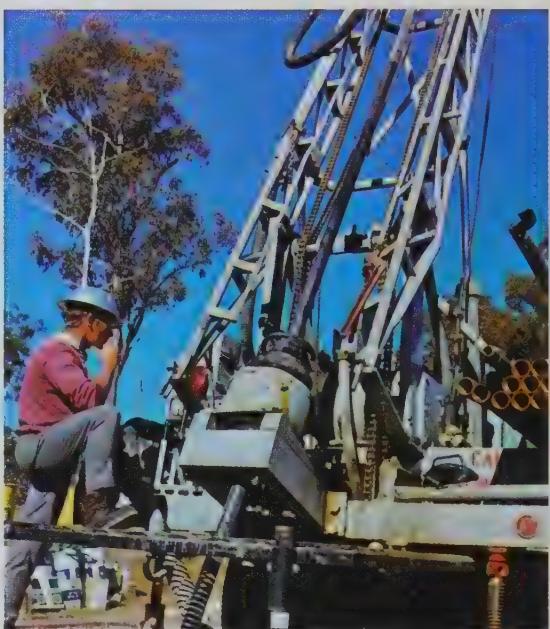
The Company participated in the financing of Jorex Limited, a newly formed Canadian exploration company which commenced operations in the latter part of 1968.

McIntyre Mines (Nevada) Limited, a wholly-owned subsidiary, began exploration in the southwestern United States early in the year. Work is directed primarily toward the discovery or acquisition of large porphyry-type copper deposits.

The Australian and New Zealand subsidiaries continued their search for metals. Four properties were investigated in eastern Australia two of which warrant further work. An extensive program was initiated in the

Kambalda nickel belt of Western Australia. It resulted in the acquisition of five properties which will be subjected to detailed investigation in the current year.

In New Zealand, some 200,000 acres in fifteen areas have been acquired in the South Island. The area of prime interest is underlain by a large belt of ultrabasic rocks in which a number of nickel-copper occurrences have been discovered by McIntyre geologists. Diamond drilling has started and it will require at least a year to evaluate the showings and the area. At the same time,



Right — Diamond Drilling Australian Style

Below — Exploration, New Zealand



copper mineralization on some of the other locations will be investigated.

## DIRECTORS

In September, 1968, the death occurred of J. Grant Glassco, a director of the Company since May 7, 1964. His skills were many and the contribution of his extraordinary executive talents left its mark equally in the affairs of government and industry.

On February 2, 1969, McIntyre suffered a further grievous loss in the death of Horace J. Fraser, who had been a member of the Board since September 9, 1965. Mr. Fraser gave generously of his unusual abilities and time to the fields of research, education and business.

As distinguished members of the Advisory Committee, Mr. Fraser and Mr. Glassco performed outstanding service for McIntyre. Their friendly, able assistance will be sadly missed.

On February 5, 1969, Mr. H. B. Keck was appointed a director and member of the Advisory Committee. Mr. Keck, of Houston, Texas, is President and a member of the Finance Committee of The Superior Oil Company and a director of a number of other companies including Falconbridge Nickel Mines Limited.

Also on February 5, 1969, Mr. Marsh A. Cooper was appointed Chairman of the Board of Directors. He then relinquished his position as President and Chief Executive Officer of the Company on his appointment as President and Managing Director of Falconbridge Nickel Mines Limited. Mr. J. K. Godin, Executive Vice-President, then became Chief Executive Officer.

## EMPLOYEES

Throughout 1968 good employee relations were maintained.

At the end of 1968, there were McIntyre employees working in almost every province of Canada, in the United

States, Australia and New Zealand. Approximately 70 additional employees will be recruited in 1969 for the Madeleine operation in Quebec and by mid-1970 a further 700 will have been recruited for the Smoky River Coal Division.

The policy of the Company is to employ locally whenever possible and, consistent with modern management techniques, to institute training programs when appropriate to furnish the technical competence necessary for today's skilled mining practices. Modern suburban housing, adequate educational facilities, and the health and welfare of its employees and their families are all an integral part of the forward planning by McIntyre management.

On June 1, 1968, a new two-year collective agreement was reached with the United Steelworkers of America covering employees in the bargaining unit at the Schumacher mine.

The Quarter-Century Club held its seventh annual dinner meeting at Schumacher on Saturday, November 16, 1968, when nine new members were honoured. Membership now stands at 261 and of these, 118 have retired.

## SHAREHOLDERS

At year-end, there were 2,389,282 shares of the Company's capital stock issued and outstanding. These shares were held by 3,169 holders of record.

## OUTLOOK

McIntyre confidently looks forward to interesting developments which will have a beneficial impact on future earnings.

The short term forecast indicates a slightly lower profit for 1969 but the long term outlook is most favourable. Madeleine Mines will be in profitable production this year and your Company's Smoky River coal operation, at the rate of two million tons per year, will be on stream in the summer of 1970. Market requirements for this type of high grade coal indicate that further contracts can be negotiated. Results from areas presently under investigation in an expanded exploration program hold promise.

The McIntyre Mine continues to operate on a satisfactory basis and earnings from that source are expected to be maintained.

## ACKNOWLEDGEMENTS

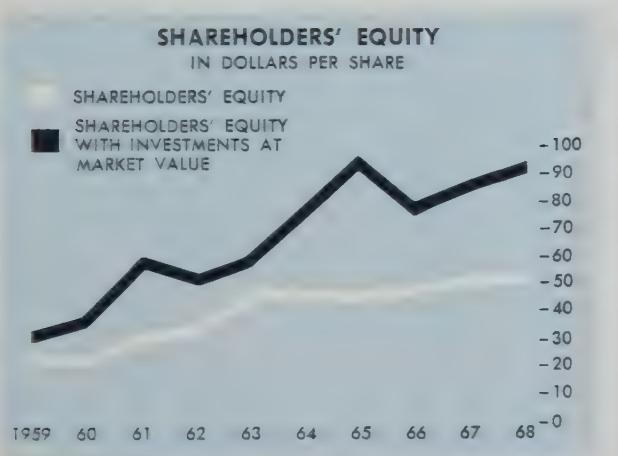
The Directors wish to express sincere thanks and appreciation to all employees for their splendid efforts throughout the year.

On behalf of the Board of Directors



Executive Vice-President.

Toronto, March 14, 1969.





**MCINTYRE**  
PORCUPINE MINES LIMITED

(Incorporated under the laws of the Province of Ontario)  
AND SUBSIDIARY COMPANIES

**CONSOLIDATED BALANCE**

**ASSETS**

	<b>1968</b>	<b>1967</b>
<b>Current Assets</b>		
Cash and short term deposits . . . . .	\$ 5,237,000	\$ 16,537,000
Metal settlements outstanding and inventories at estimated realizable value . . . . .	2,091,000	2,430,000
Other receivables and prepaid expenses . . . . .	1,176,000	802,000
	<u>8,504,000</u>	<u>19,769,000</u>
<b>Falconbridge Nickel Mines Limited (note 2, page 17)</b>		
Shares at cost <i>(quoted market value 1968 \$196,688,000; 1967 \$172,815,000)</i> . . . . .	100,187,000	94,625,000
<b>Other Investments at cost</b>		
Madeleine Mines Ltd. (note 3, page 17) . . . . .	8,057,000	1,842,000
Listed shares in other companies <i>(quoted market value 1968 \$3,005,000; 1967 \$5,128,000)</i> . . . . .	2,555,000	2,581,000
Other investments (not quoted) . . . . .	229,000	147,000
	<u>10,841,000</u>	<u>4,570,000</u>
<b>Fixed Assets</b>		
Plant and equipment at cost . . . . .	12,224,000	12,796,000
Less accumulated depreciation . . . . .	9,195,000	9,786,000
	<u>3,029,000</u>	<u>3,010,000</u>
Mining properties and rights at nominal value <i>(1967 Lorraine property at cost)</i> . . . . .	1,000	351,000
	<u>3,030,000</u>	<u>3,361,000</u>
<b>Other Assets and Deferred Charges</b>		
Materials and supplies at cost . . . . .	500,000	600,000
Coal development expenditures (note 4, page 17) . . . . .	1,730,000	1,074,000
Mine development expenditures, less amortization . . . . .	755,000	939,000
Other assets and deferred charges . . . . .	313,000	270,000
	<u>3,298,000</u>	<u>2,883,000</u>
	<u>\$125,860,000</u>	<u>\$125,208,000</u>

*The 1967 figures have been reclassified for comparative purposes.*

EET—DECEMBER 31, 1968

LIABILITIES

**Current Liabilities**

	<b>1968</b>	<b>1967</b>
Accounts payable and accrued liabilities .....	\$ 715,000	\$ 876,000
Income taxes and government royalties .....	91,000	663,000
	806,000	1,539,000

<b>Deferred Income Taxes</b> ( <i>note 5, page 17</i> ) .....	1,065,000	780,000
---	-----------	---------

**Minority Interest**

Interest of minority shareholders in subsidiary company ..	70,000	204,000
--	--------	---------

**Shareholders' Equity**

Capital stock ( <i>note 6, page 18</i> )		
Authorized — 3,000,000 shares without par value		
Issued — 2,389,282 shares .....	6,185,000	6,185,000
Retained earnings .....	117,734,000	116,500,000
	123,919,000	122,685,000

APPROVED BY THE BOARD:

  
Director

  
Director

\$125,860,000

\$125,208,000

**CONSOLIDATED STATEMENT OF  
SOURCE AND APPLICATION OF FUNDS**

Year ended December 31, 1968

<b>Source of Funds</b>	<b>1968</b>	<b>1967</b>
Net earnings for the year .....	\$ 6,738,000	\$ 7,318,000
Charges to earnings not requiring current outlay		
Depreciation and amortization .....	732,000	1,190,000
Income tax reductions deferred to future years <i>(note 5, page 17)</i> .....	285,000	312,000
Lorraine mining claims written off .....	350,000	
Minority interest in net earnings of subsidiary company .....	42,000	105,000
Funds from operations .....	<u>8,147,000</u>	<u>8,925,000</u>
Proceeds from sale of investments .....	147,000	19,641,000
Proceeds from issue of shares under stock option plan .....		8,000
Other sources .....	<u>100,000</u>	<u>50,000</u>
	<u>8,394,000</u>	<u>28,624,000</u>
<b>Application of Funds</b>		
Investment in Falconbridge Nickel Mines Limited .....	5,562,000	3,122,000
Investment in Madeleine Mines Ltd. <i>(note 3, page 17)</i> .....	6,215,000	
Other investments .....	211,000	583,000
Dividends to shareholders .....	5,496,000	6,689,000
Dividends to minority shareholders in subsidiary company .....	176,000	328,000
Additions to plant and equipment, net .....	567,000	1,540,000
Coal development expenditures .....	656,000	791,000
Provision for prior year income taxes of subsidiary company <i>(note 5, page 17)</i> .....		567,000
Other applications .....	43,000	106,000
	<u>18,926,000</u>	<u>13,726,000</u>
Increase (decrease) in working capital .....	<u>(10,532,000)</u>	<u>14,898,000</u>
Working capital at beginning of year .....	18,230,000	3,332,000
<b>Working capital at end of year .....</b>	<b>\$ 7,698,000</b>	<b>\$18,230,000</b>

*The 1967 figures have been reclassified for comparative purposes.*

**CONSOLIDATED STATEMENT**

**OF EARNINGS**

Year ended December 31, 1968

**MINING**

	<b>1968</b>	<b>1967</b>
Metal production . . . . .	\$11,339,000	\$13,242,000
<b>Expenses</b>		
Operating costs, other than below . . . . .	9,173,000	10,159,000
Administrative and general expenses . . . . .	1,105,000	1,065,000
Depreciation ( <i>note 7, page 18</i> ) . . . . .	548,000	642,000
Amortization of mine development expenditures <i>(note 7, page 18)</i> . . . . .	184,000	548,000
	<u>11,010,000</u>	<u>12,414,000</u>
Deduct emergency gold mining assistance . . . . .	960,000	971,000
	<u>10,050,000</u>	<u>11,443,000</u>
<b>Operating Income</b> . . . . .	<u>1,289,000</u>	<u>1,799,000</u>
<b>Earnings before the following deductions</b> . . . . .	<u>8,399,000</u>	<u>8,922,000</u>
<b>Deduct</b>		
Expenditures and participations in outside exploration . . . . .	1,208,000	1,183,000
Lorraine mining claims written off less profit on disposal of plant ( <i>note 1, page 17</i> ) . . . . .	126,000	
Minority interest in net income of subsidiary company . . . . .	42,000	105,000
Income taxes ( <i>note 5, page 17</i> )		
Current . . . . .	4,000	
Deferred . . . . .	285,000	312,000
	<u>1,661,000</u>	<u>1,604,000</u>
<b>Net Earnings</b> . . . . .	<u>\$ 6,738,000</u>	<u>\$ 7,318,000</u>
<b>Earnings per share</b> . . . . .	<u>\$ 2.82</u>	<u>\$ 3.06</u>

**CONSOLIDATED STATEMENT OF  
RETAINED EARNINGS**

Year ended December 31, 1968

	<b>1968</b>	<b>1967</b>
<b>Balance at beginning of year</b>	\$116,500,000	\$111,696,000
Profit (loss) on sale of investments	(8,000)	4,742,000
Provision for prior year income taxes of subsidiary company ( <i>note 5, page 17</i> )		(567,000)
	116,492,000	115,871,000
Net earnings for the year	6,738,000	7,318,000
Deduct dividends — \$2.30 per share (1967 \$2.80 per share)	5,496,000	6,689,000
	1,242,000	629,000
<b>Balance at end of year</b>	<b>\$117,734,000</b>	<b>\$116,500,000</b>

**AUDITORS' REPORT**

Thorne,  
Gunn,  
Helliwell  
& Christenson

CHARTERED ACCOUNTANTS

To the Shareholders of  
McIntyre Porcupine Mines Limited

We have examined the consolidated balance sheet of McIntyre Porcupine Mines Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
January 31, 1969.

*Thorne, Gunn, Helliwell & Christenson*  
CHARTERED ACCOUNTANTS

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**December 31, 1968**

**1. BASIS OF CONSOLIDATION**

The accounts of the wholly owned subsidiary companies and of Lorraine Mining Company Limited, in which 80% of the issued shares are held, are included in the consolidated financial statements. Mining operations of Lorraine Mining Company Limited ceased in August 1968 on exhaustion of its ore body.

**2. FALCONBRIDGE NICKEL MINES LIMITED**

Falconbridge's 1968 earnings, based on the estimate of \$4.70 per share announced January 31, 1969, exceeded by \$2,161,000 the dividends received and included in earnings for the current year (\$3,160,000 in 1967).

At December 31, 1967 McIntyre's interest in earnings retained by Falconbridge since acquisition of shares in that company, including profits on sale of investments, amounted to \$18,514,000.

McIntyre held 37.5% of the issued shares of Falconbridge at December 31, 1968. Because of the significant number of shares involved, the quoted market value attributed to this investment is not necessarily indicative of its realizable value.

**3. MADELEINE MINES LTD.**

At December 31, 1968, McIntyre's investment in Madeleine Mines Ltd. consisted of:

Shares at cost (quoted market value \$3,694,000) .....	\$2,339,000
5% first mortgage income bonds at cost .....	5,714,000
Advances .....	4,000
	<hr/>
	\$8,057,000

McIntyre had advanced \$6,215,000 to December 31, 1968 on its commitment to finance the mining property of Madeleine to production. Under the financing arrangements, McIntyre has agreed to provide \$12½ million in return for which it will receive 5% first mortgage income bonds and shares of Madeleine in units of one \$1,000 bond and 80 shares for each \$1,000 advanced. If further funds are required, McIntyre has agreed to purchase up to \$2½ million additional bonds at par.

Provided that \$12½ million is required to bring the mine into production, McIntyre will have a 36.4% direct and indirect interest in the shares of Madeleine as well as the holding of first mortgage bonds.

**4. SMOKY RIVER COAL PROJECT**

McIntyre has entered into an agreement for the sale to the Japanese steel industry of 29½ million long tons of metallurgical coal over a 15 year period. Estimated expenditures of \$47 million will be required to bring the McIntyre coal deposits in Alberta, Canada into production by 1970.

**5. INCOME TAXES**

Income taxes charged to earnings are based upon depreciation and amortization charges which have been recorded in conformity with McIntyre's regular accounting practice. Greater deductions have been

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

(Continued)

claimed for tax purposes and the resulting tax reductions are carried in the balance sheet as deferred income taxes.

Dividends from Falconbridge Nickel Mines Limited and other taxable Canadian corporations are not subject to further tax in McIntyre's hands.

During 1968 a subsidiary company settled its 1962 and 1963 U.S. tax liability for an amount which approximates the charge made to retained earnings in 1967.

**6. CAPITAL STOCK**

Under the executive and key employees stock option plan, 150,000 shares were set aside in 1958 for future purchase, of which a total of 90,250 shares have been issued. At December 31, 1968 employees held options on:

2,400 shares at \$81.34 per share granted on October 14, 1965 expiring October 14, 1970  
30,000 shares at \$83.25 per share granted on October 16, 1968 expiring October 15, 1978

No shares were issued during 1968 under the plan.

**7. DEPRECIATION AND AMORTIZATION**

Depreciation of plant and equipment has been provided at annual rates applied to cost of assets not fully depreciated, of 10% for the McIntyre mine, 25% for the Lorraine mine and 25% for aircraft. Mine development expenditures to bring the companies' ore bodies into production are being amortized over the life of the estimated ore reserves.

**8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**

Direct remuneration of the company's directors and senior officers amounted to \$316,000 for 1968 and \$319,000 for 1967.

**9. PENSION PLAN**

Under the contributory retirement pension plan, McIntyre makes contributions each year in respect of both current services of employees and past services rendered prior to the introduction of the plan. The amount required at December 31, 1968 to complete the funding of the past service cost is approximately \$330,000 (1967 \$375,000).

**10. SALE OF INVESTMENTS**

In accordance with McIntyre's usual accounting practice, gains and losses on sales of investments are shown in the statement of retained earnings in the accompanying financial statements as is the provision for prior year income taxes of a subsidiary company (note 5). In the financial statements filed with the U.S. Securities and Exchange Commission, and as required by the Commission, these items are shown in the statement of earnings as special items after net earnings for the year.

**INVESTMENT PORTFOLIO**



On December 31, 1968, the investment portfolio of the Company and its subsidiary companies included:

1,838,201	shares	Falconbridge Nickel Mines Limited
1,000,000	"	Frobex Limited
96,000	"	Opemiska Copper Mines (Quebec) Limited
935,115	"	Madeleine Mines Ltd.
\$6,211,000		Madeleine Mines Ltd. 5% First Mortgage
		Income Bonds due December 31, 1982.

Other sundry investments were held having quoted market values aggregating \$212,500.

THE McINTYRE MINE  
Schumacher, Ontario

STATEMENT OF OPERATING INCOME

COPPER OPERATIONS

	1968		1967	
	Total	Per lb. Copper	Total	Per lb. Copper
Copper, gold and silver produced . . . . .	\$6,203,000	\$ 0.58	\$6,304,000	\$ 0.58
Operating costs:				
Mine development and exploration . . . . .	730,000	.07	745,000	.07
Breaking and stoping . . . . .	1,321,000	.12	1,230,000	.11
Milling . . . . .	675,000	.06	653,000	.06
Marketing expense . . . . .	1,014,000	.09	1,034,000	.09
Royalty under Ontario Mining Tax Act . . .	51,000	.01	78,000	.01
Depreciation . . . . .	150,000	.02	212,000	.02
Amortization of preproduction development expenditures . . . . .	184,000	.02	188,000	.02
	4,125,000	.39	4,140,000	.38
Operating income — copper . . . . .	\$2,078,000	\$ .19	\$2,164,000	\$ .20

GOLD OPERATIONS

	1968		1967	
	Total	Per Fine Ounce Gold	Total	Per Fine Ounce Gold
Gold and silver produced . . . . .	\$3,534,000	\$ 37.92	\$3,611,000	\$ 37.91
Operating costs:				
Mine development and exploration . . . . .	127,000	1.36	302,000	3.18
Breaking and stoping . . . . .	3,424,000	36.75	3,152,000	33.09
Milling . . . . .	736,000	7.90	794,000	8.33
Marketing expense . . . . .	18,000	.19	26,000	.27
Municipal and provincial taxes and lease rentals . . . . .	61,000	.65	52,000	.54
Depreciation . . . . .	60,000	.64	116,000	1.22
	4,426,000	47.49	4,442,000	46.63
Deduct emergency gold mining assistance	960,000	10.30	971,000	10.20
	3,466,000	37.19	3,471,000	36.43
Operating income — gold . . . . .	\$ 68,000	\$ .73	\$ 140,000	\$ 1.48
Total operating income — copper and gold . . . . .	\$2,146,000		\$2,304,000	

**THE McINTYRE MINE**

Schumacher, Ontario

**ORE RESERVES**

**COPPER ORE RESERVES**

**1968**

**1967**

	Tons	Copper Tons	%	Tons	Copper Tons	%
Defined by drilling .....	3,582,500	28,377	0.79	3,964,500	32,535	0.82
Broken .....	447,730	3,539	0.79	247,000	2,050	0.83
	<u>4,030,230</u>	<u>31,916</u>	<u>0.79</u>	<u>4,211,500</u>	<u>34,585</u>	<u>0.82</u>

**GOLD ORE RESERVES**

**1968**

**1967**

	Tons	Fine Ounces Gold		Tons	Fine Ounces Gold	
Estimated in place .....	629,900	207,840		754,300	250,810	
Broken ore .....	42,000	9,910		53,500	12,130	
	<u>671,900</u>	<u>217,750</u>		<u>807,800</u>	<u>262,940</u>	
Average grade per ton .....		.324				.326

**THE LORRAINE MINE**

Belleterre, Quebec

**STATEMENT OF OPERATING  
INCOME**

**1968**

**1967**

Metal production .....	\$1,483,000	\$3,328,000
Operating costs:		
Marketing expense .....	534,000	1,247,000
Mine development and exploration .....	26,000	73,000
Breaking and stoping .....	267,000	429,000
Milling .....	125,000	240,000
Royalty under Quebec Mining Tax Act .....	22,000	78,000
Municipal and provincial taxes and lease rentals .....	15,000	19,000
Depreciation .....	185,000	325,000
Amortization of mine development expenditures .....	0	359,000
Shut down costs .....	24,000	0
	1,198,000	2,770,000
Operating income .....	\$ 285,000	\$ 558,000

*Mine came into production on January 1, 1965  
and ceased operations August, 1968.*

**TEN YEAR FINANCIAL REVIEW**  
(in thousands)

	<b>1968</b>	<b>1967</b>	<b>1966</b>
<b>RESULTS PER SHARE</b>	\$	\$	\$
Net earnings .....	2.82	3.06	3.78
Dividends paid .....	2.30	2.80	2.70
 <b>OPERATIONS</b>			
Net earnings .....	6,738	7,318	9,028
Metal production .....	11,339	13,242	15,343
Operating income .....	1,289	1,799	3,681
Investment income .....	7,110	7,123	7,184
Exploration expenditures .....	1,208	1,183	1,004
Income taxes — current .....	4	400	
— deferred .....	285	312	205
Minority interest in subsidiary's earnings .....	42	105	228
 <b>FINANCIAL POSITION</b>			
Working capital .....	7,698	18,230	3,332
Investments .....	111,028	99,195	110,390
Fixed assets — net .....	3,030	3,361	2,346
Other assets .....	3,298	2,883	2,701
Deferred income taxes .....	1,065	780	468
Minority interest in subsidiary's net assets .....	70	204	428
 <b>SHAREHOLDERS' EQUITY</b>			
Equity with investments at cost .....	123,919	122,685	117,873
Equity with investments at market .....	216,278	201,433	184,171
Per share with investments at market .....	90.52	84.31	77.09
Shares outstanding — end of year .....	2,389	2,389	2,389

1965	1964	1963	1962	1961	1960	1959
\$	\$	\$	\$	\$	\$	\$
3.22	2.51	2.10	2.24	1.47	1.04	1.05
2.40	1.80	1.60	1.15	1.00	1.00	1.00
7,689	5,990	5,022	5,331	3,469	2,392	2,412
13,336	9,655	8,197	9,680	8,879	8,571	8,792
1,770	960	460	1,419	803	606	869
7,127	6,013	5,189	4,649	3,111	2,261	2,194
947	708	510	667	358	416	534
44	133	104	68	85	56	18
121	142					
96		13	2	2	3	99
3,358	3,103	2,662	3,997	1,272	1,364	938
103,033	99,646	99,014	77,271	69,302	51,182	51,291
2,763	3,127	1,473	1,278	636	628	477
2,940	3,460	3,727	2,164	1,420	1,148	937
263	142					
480	383		30	27	25	22
111,351	108,811	106,876	84,680	72,603	54,297	53,621
222,364	181,606	141,930	125,053	140,722	84,480	78,090
93.10	76.05	59.46	52.59	59.49	36.71	33.96
2,388	2,388	2,387	2,378	2,365	2,301	2,299



## MCINTYRE GOES INTERNATIONAL

CANADA  
UNITED STATES  
AUSTRALIA  
NEW ZEALAND

W. P. HAMMOND, Director of Exploration,  
Toronto, Ontario, Tel.: 362-4751

### FIELD OFFICES:

#### CANADA

##### **Ontario**

W. F. Gilman,  
McIntyre Porcupine Mines Limited, Tel.: 705-264-9735  
P.O. Box 970,  
Timmins, Ont.

##### **Quebec**

A. Skrecky,  
McIntyre Porcupine Mines Limited, Tel.: 819-824-3033  
Room 2, Hotel de Ville,  
Val d'Or, Que.

##### **British Columbia**

J. W. MacLeod,  
McIntyre Porcupine Mines Limited, Tel.: 604-685-9815  
1004 - 409 Granville Street,  
Vancouver, B.C.

#### UNITED STATES

##### **Arizona**

John Hite,  
McIntyre Mines (Nevada) Limited, Tel.: 602-325-4611  
Suite 113, 2030 East Speedway,  
Tucson, Arizona 85719.

#### AUSTRALIA

G. B. Darling, Managing Director,  
McIntyre Mines (Australia) Pty. Limited, Tel.: 27-9289  
8 - 12 Bridge Street, Tel.: 27-9280  
Sydney, N.S.W.

##### **Western Australia**

Jon W. Brien,  
McIntyre Mines (Australia) Pty. Limited, Tel.: 21-7134  
249 Adelaide Terrace,  
Perth.

#### NEW ZEALAND

T. Skimming, General Manager,  
McIntyre Mines New Zealand Limited, Tel.: 81-044  
39 Hastings Street,  
Nelson.





Printed in Canada.

*file*

**MCINTYRE**  
**PORCUPINE MINES LIMITED**

**Address to Shareholders**

**by**

**Marsh A. Cooper**

**President and Chief Executive Officer**

**FIFTY-SIXTH  
ANNUAL MEETING  
MAY 8, 1968**



**TO THE SHAREHOLDERS:**

At the Annual Meeting of Shareholders of the Company held on May 8, 1968, at which approximately 90% of the shares were represented in person or by proxy, the shareholders elected the following Directors of the Company: Messrs. D. L. Bohannan, J. K. B. Booth, F. R. Burton, Murray Christian, Marsh A. Cooper, N. F. W. H. D'Arcy, A. E. Feldmeyer, H. J. Fraser, J. G. Glassco, J. K. Godin, J. O. Hambro, W. M. Keck, Jr., D. G. C. Menzel, Geo. H. Steer.

Thorne, Gunn, Helliwell & Christenson were re-appointed auditors of the Company's accounts.

At a subsequent meeting of the Directors the following officers were elected and appointed:

President and Chief Executive Officer  
Marsh A. Cooper

Executive Vice-President  
J. K. Godin

Vice-President Corporate Affairs  
W. T. Kilbourne II

Secretary  
F. T. McKinney

Treasurer  
O. J. Shore



*President's Remarks to the Shareholders at the Annual Meeting of the Shareholders held on Wednesday, May 8th, 1968, at the Royal York Hotel, Toronto, Ontario.*

LADIES AND GENTLEMEN:

On behalf of the Board of Directors, I take pleasure in welcoming you to McIntyre's 56th Annual Meeting of Shareholders.

I would like to bring you up-to-date on the affairs of the Company and to expand somewhat on the Annual Report that was sent to you a short time ago.

### **EARNINGS AND DIVIDENDS**

The Company's earnings for 1967, already published in the Annual Report, were \$7.3 million or \$3.06 per share, a decrease of 72¢ per share from the previous year's all-time high of \$3.78. Dividends paid out in 1967 were \$2.80 per share compared with \$2.70 in 1966.

Earnings for the first quarter of 1968, as recently published in our Quarterly Earnings Statement, amounted to 74¢ per share, an increase of 7¢ over the same period a year ago. As noted, the increase for the most part was attributable to higher revenue from metal sales. Notwithstanding this first quarter improvement, we believe earnings for all of 1968 may be less than last year due to the impending cessation of mining operations at the Lorraine Mine and somewhat lower copper prices.

Effective with the payment made on March 1st this year, the rate of McIntyre dividends was reduced from 70¢ to 57½¢ quarterly. When the new rate was announced, it was stated that the policy of the Company had been changed to place greater stress on exploration

and participation in mine acquisition and development. This, of course, involves the expenditure of a larger proportion of the Company's earnings. To the extent possible, earnings — which it must be remembered are temporarily on a declining curve — will be used to finance these and other capital requirements. Realistic dividend policies must also play their part in supporting this plan to increase the natural resource assets of the Company.

## INVESTMENTS

You will have noticed from our Annual Report that \$19.6 million was realized from the sale of long-term holdings in listed shares and Government securities. These moneys are invested in short-term securities to meet the forward commitments of the Company and for general corporate purposes.

In February of 1968 Madeleine Mines Limited (Les Mines Madeleine Ltée) was incorporated in Quebec to take over the assets and liabilities of Wexford Mines Limited. Your Company has agreed to manage the project and will supply \$12½ million to put the Madeleine mine into production, and has further agreed to supply an additional \$2½ million if required. The financing is being done by the purchase from Madeleine of 5% income debentures and treasury shares in units of one \$1,000 debenture and 80 shares of Madeleine at \$1,000 per unit. If the additional \$2½ million is required, it will be supplied through McIntyre's purchase of additional debentures at par.

## THE McINTYRE MINE

At Schumacher, the gold mine is operating at about 1,000 tons a day and, in addition,

2,000 tons of copper ore are being treated. Grades in both gold and copper sections have been holding up quite satisfactorily.

In the copper mine, development has been directed principally to extending the ore zone on the adjoining Westfield property. Recent sectional drilling on 3625 level has added considerable tonnage to reserves. Further drifting is planned for the area.

The operation, for the first time in several years, has a full labour complement. Some experienced miners have come from The Hollinger mine, and it is expected to get additional men from that source as their operations are phased out.

Ore reserves have been reasonably well maintained, and with current base metal prices, the mine still has a number of productive years.

### **THE LORRAINE MINE**

At the Lorraine mine, operations are on a salvage basis; and, as in the case in most mines where mining is approaching the outer limits of the ore, dilution has been greater than during the previous periods. As a result of this, profits have been somewhat lower than in the similar period last year. However, during the last two months, dilution has been brought under much closer control and earnings have shown a marked improvement.

All ore-breaking in the mine is now complete with the exception of a 5,000 ton sill pillar below the 4th level. Drawpoint mining will be continuing at the 4th level horizon until copper-nickel values drop below economic levels. The remaining sill pillar will then be blasted for final mill feed. Present indications

are that the operation will close in the early part of July.

Arrangements are being made to provide the mine crew with appropriate separation allowances and, where possible, to transfer personnel from Lorraine to other McIntyre operations when the mine closes.

### THE MADELEINE MINE

At the Madeleine mine, which I have already referred to, mine development and mill construction aimed at production in April, 1969, is proceeding ahead of schedule. Detail design of the concentrator and service facilities is almost complete and construction will be underway this month.

Initial mining will be through adits with stoping methods geared to take full advantage of high productivity load-dump-haul equipment. This should result in a low-cost operation. Mill tests have indicated good recoveries in a relatively high-grade concentrate.

### McINTYRE COAL

The major pilot plant mining and testing program at the Smoky River coal properties in Alberta was terminated in December and the property is now on a stand-by basis.

In the first quarter, at the request of our Japanese agents, we have mined and are in the process of shipping a 200-ton sample of the coal to Japan for further metallurgical testing. Senior officers of the Company have spent a considerable amount of time in Japan since the first of the year and, as a matter of fact, the Executive Vice-President is still in Japan.

Negotiations for a sales contract have consumed much more time than was anticipated at

the time of our last meeting. The talks have proceeded to the point where we now believe that a successful conclusion will be reached in the near future.

## FALCONBRIDGE

Falconbridge experienced another satisfactory year in 1967, with earnings of \$25,792,000 or \$5.26 per share, down slightly from the record high of \$27,725,000 or \$5.66 per share in 1966. There was an important change in the composition of 1967 earnings. Operating profit from nickel operations increased while dividend income from other operations declined, a reversal of the trend of recent years.

Market demand for nickel continues strong and is expected to remain so for the near future at least. The Company pressed forward with two new production programmes in the Sudbury area: Strathcona, the largest Falconbridge nickel development to date, and the nearby Longvack South mine. Both these operations are expected to contribute significantly to revenues in 1968.

The Tasu iron-copper property in British Columbia commenced production in mid-year. Earnings for the half-year period were applied as a reduction of preproduction expense and are therefore not reflected in the 1967 consolidated earnings account.

Other Falconbridge highlights are the recently-announced iron ore concentrator for the Sudbury area, scheduled for production in late 1969, the opening of the Fahr alloy foundry and fabricating plant at Orillia, Ontario, and the favourable results from the expanded pilot plant development on the Company's nickel laterite deposits in the Dominican Republic.

McIntyre considers its investments in Falconbridge to hold particular promise in the years ahead.

### **EXPLORATION**

Discovery or acquisition of new mineral deposits is essential to the growth and future profits of any mining company.

For this reason your Company is continuing to emphasize and expand its exploration activities. Work is going forward vigorously throughout Canada, the Southwestern United States, Australia and New Zealand. Mineral prospecting will be undertaken in other countries as well, where a reasonable political climate exists.

Your Company's field programmes range from basic exploration of large areas to detailed investigation of specific mineral occurrences. In addition, your Company is participating with other companies or mining groups in a number of prospecting ventures. Several interesting projects are now underway. One of these I might mention is a recently-discovered nickel area in New Zealand where, in partnership with Canadian Superior, a large acreage has been acquired and a major programme of work is now being conducted.

While it is well-recognized that the search for new ore becomes more sophisticated and expensive each year, we are confident that our continuing efforts will have a successful outcome.

### **ACKNOWLEDGEMENTS**

In the Annual Report several changes in the management of the Company which took place during the year were mentioned. Note

was made that Mr. J. C. Fraser and Mr. S. M. Wedd had left the Board after many years of valuable service as Directors. At this time, I wish to express again the Company's thanks to these gentlemen. I wish also to express particular thanks to Mr. J. D. Barrington who, in mid-year, resigned as President and Managing Director. He was subsequently elected as Chairman of the Board, a position from which he resigned concurrent with his resignation as a Director, in December, 1967. Mr. Barrington's great contribution to McIntyre is well-known.

## OUTLOOK

And now, what about the future?

Forecasting the future in these uncertain times is difficult, and probably all that can be said with certainty is that, for the near-term at least, Canada will continue to face unusual financial problems in a fluctuating business environment. We must contend with a world economy beset by balance-of-payment difficulties and with severe and persistent inflationary encroachment on the buying power of the dollar. These difficulties are further aggravated by military engagements in various parts of the world.

However, it is our belief that the demand for base and precious metals will continue to grow and, while at times the markets for these materials appear unsettled, more rational trading patterns must surely evolve from the positive approaches that are now being made towards solution of world problems.

Nearer home, we are encouraged that the Department of Manpower and Immigration has

instituted a more flexible system for the admission of selected immigrants. This should materially alleviate the manpower shortage in most of the mining communities. We are encouraged to believe that, while Government is desirous of enacting tax reforms, these reforms may be more in the nature of improvements within the existing tax structure rather than the adoption of proposals of the Carter Royal Commission on Taxation which, if implemented, would have an extremely harmful effect on mining exploration and development.

McIntyre has, of course, benefited greatly by the improved prices for base metals and we are optimistic that the coal project can be "cranked-up" in the not too distant future. The exploration budget is being expanded to expedite the search for new mines which must be found to replace those that are being depleted. The search is always exciting and, when successful, the rewards are substantial.

In brief, we are looking ahead to a steady growth in McIntyre in the years to come.







**AR23**

**MCINTYRE**  
PORCUPINE MINES LIMITED

---

SUITE 1200, 55 YONGE STREET  
TORONTO 1, ONTARIO, CANADA

# **MCINTYRE**

**PORCUPINE MINES LIMITED**

---

SUITE 1200, 55 YONGE STREET  
TORONTO 1, ONTARIO, CANADA

---

## **INTERIM REPORT TO SHAREHOLDERS**

---

FOR THE SIX MONTHS ENDED  
JUNE 30, 1968

July 29, 1968

To the Shareholders:

Net income for the first half of 1968 amounted to \$2,969,000 or \$1.24 per share, compared with \$3,579,000 or \$1.50 per share for the same period last year.

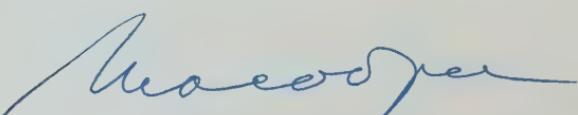
Dividends paid totalled \$1.15 per share vs. \$1.40 per share in the first half of 1967.

At the McIntyre Mine 368,000 tons of copper ore were milled with a recovery of 5,599,000 pounds, compared with 5,752,000 pounds from the treatment of 371,000 tons in the first half of 1967. In the gold section of the mine 45,454 ounces of gold were recovered from the treatment of 164,500 tons of ore compared with 51,102 ounces from 179,000 tons in the first half of 1967. Emergency Gold Mining Assistance for the first half of 1968 was less than a year ago and a small loss in gold operations resulted.

At the Lorraine Mine 96,000 tons of ore, grading .60% copper and .30% nickel were treated for an operating profit of \$454,000 before write-offs, compared with \$802,000 in the first half of 1967. The mine is on a salvage basis and it is expected that mining operations will terminate later this month.

Investment income remained steady at \$3,134,000 and on June 30, 1968 the indicated market value of the investment portfolio amounted to \$83 a share, compared with \$75 per share a year ago.

Work at the Madeleine copper mine in the Gaspe Park area of Quebec, which McIntyre has agreed to finance to production, is proceeding on schedule. Under the terms of the financing arrangement, McIntyre is to receive 5% mortgage income bonds of Madeleine, of the principal amount of \$1,000 together with 80 fully paid shares of Madeleine for each \$1,000 expended. To June 30th, McIntyre advances totalled \$1,862,000.



President and Chief Executive Officer

# MCINTYRE

PORCUPINE MINES LIMITED

## Consolidated Statement of Income

(Interim Statement subject to Audit)

	Six Months Ended June 30	
	1968	1967
<b>MINING REVENUE:</b>		
Metal production .....	\$ 6,130,000	\$ 7,010,000
Emergency gold mining assistance .....	467,000	518,000
	6,597,000	7,528,000
Operating costs including marketing, depreciation and amortization .....	6,072,000	6,409,000
Operating income .....	<u>525,000</u>	<u>1,119,000</u>
 <b>INVESTMENT INCOME:</b>		
Dividends from Falconbridge Nickel Mines Limited ...	2,711,000	2,620,000
Other dividends and interest	<u>423,000</u>	<u>515,000</u>
	3,134,000	3,135,000
Income before the following deductions .....	<u>3,659,000</u>	<u>4,254,000</u>
 <b>DEDUCT:</b>		
Expenditures and participations in outside exploration	577,000	473,000
Minority interest in net income of subsidiary company .....	(2,000)	79,000
Income taxes: Current .....	10,000	1,000
Deferred ...	<u>105,000</u>	<u>122,000</u>
	690,000	675,000
Net Income .....	<u>2,969,000</u>	<u>3,579,000</u>
Earnings per share .....	<u>\$1.24</u>	<u>\$1.50</u>

# MCINTYRE

PORCUPINE MINES LIMITED

## Consolidated Source and Application of Funds

(Interim Statement subject to Audit)

	Six Months Ended June 30	
	1968	1967
<b>SOURCE OF FUNDS</b>	\$	\$
Net Income for the period	2,969,000	3,579,000
Charges to income not requiring current outlay:		
Depreciation and amortization	680,000	568,000
Income tax reductions deferred to future years	105,000	122,000
Minority interest in net income of subsidiary company .....	(2,000)	79,000
Funds from operations	3,752,000	4,348,000
Proceeds from sale of investments .....	142,000	608,000
Reduction in supplies .....	121,000	—
Refund of special refundable tax .....	62,000	—
Other sources .....	—	39,000
	<u>4,077,000</u>	<u>4,995,000</u>
 <b>APPLICATION OF FUNDS</b>		
Investment in Falconbridge Nickel Mines Limited ...	3,357,000	130,000
Other investments .....	—	541,000
Dividends to shareholders ..	2,748,000	3,345,000
Dividends to minority shareholders in subsidiary company .....	48,000	200,000
Additions to plant and equipment .....	22,000	614,000
Development expenditures on coal project .....	223,000	849,000
Special refundable tax .....	—	53,000
Financing of Madeleine Mines Ltd. ....	1,862,000	—
Other applications .....	27,000	—
	<u>8,287,000</u>	<u>5,732,000</u>
Decrease in Working Capital	<u>4,210,000</u>	<u>737,000</u>
Working Capital — Beginning of Period .....	<u>18,230,000</u>	<u>3,437,000</u>
Working Capital — End of Period .....	<u>14,020,000</u>	<u>2,700,000</u>

AR23

**MCINTYRE**  
PORCUPINE MINES LIMITED

---

SUITE 1200, 55 YONGE STREET  
TORONTO 1, ONTARIO, CANADA

# RICHARDSON SECURITIES OF CANADA

STOCKS - BONDS  
COMMODITIES

RESEARCH DEPARTMENT

JAMES A. RICHARDSON

GEORGE T. RICHARDSON

AR23

*jul*

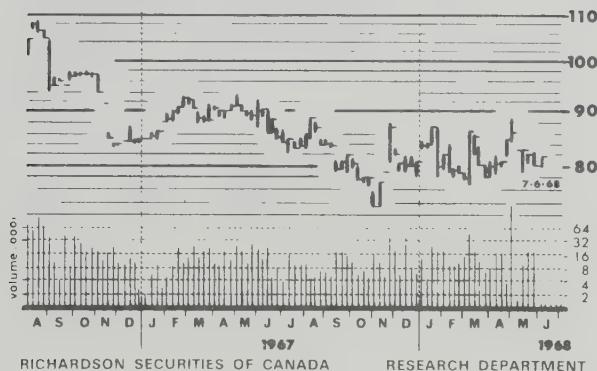
JUNE 1968

## McINTYRE PORCUPINE MINES LIMITED

1968		Recent Price	Earnings Per Share		Indicated Dividend	Current Yield	P/E Ratio (2)
Price Range (1)	High Low		1967	1968(E)			
\$89.00	\$77.00	\$80.00	\$3.06	\$2.70	\$2.40	3.0%	29.6
(1) 1968 to May 30th						(2) Based on estimated earnings for 1968	

### McINTYRE PORCUPINE MINES LIMITED

MP WEEKLY PRICE RANGE



RICHARDSON SECURITIES OF CANADA RESEARCH DEPARTMENT

We consider the shares of McIntyre attractive, providing good value based on an investment portfolio along with participation in an expanded exploration and mine acquisition programme. The small capitalization of 2,400,000 shares provides considerable leverage in the event of a discovery. Earnings, which were \$3.05 in 1967, likely will decline to about \$2.70 this year. Dividends were \$2.80 / share in 1967 and have been reduced to \$2.40 per share as a result of expanded exploration activities.

THE COMPANY McIntyre operates a gold mine in the Porcupine area which has at least six years ore reserves. In addition, it produces copper from the main gold property, with about six years of ore reserve grading about 0.82% copper. Only modest income can be expected from the copper operation at lower copper prices.

The Company's main interest is its holding of 1,781,000 shares of Falconbridge Nickel Mines. There is approximately 3/4 of a share of Falconbridge behind each share of McIntyre. Current breakup value of the investment portfolio is about \$90 per share.

Of particular significance to the Company is the new management outlook. Superior Oil of the U.S. and Canadian Superior Oil acquired management control during the past year and the new management policy is expected to expand the exploration programme. In 1967, slightly over \$1 million was spent on exploration and this should grow substantially.

In Canada, McIntyre is bringing into production the Wexford copper property in the Gaspe area of Quebec and is exploring extensive concessions in Newfoundland owned by Newfoundland and Labrador Corporation. In the Beaverlodge area a large concession owned by New Senator Rouyn Ltd. is being explored for uranium. Negotiations are, also, continuing on the development of the Company's coal deposits in Alberta, and a successful conclusion of negotiations with Japanese interests could provide an important new source of income. McIntyre is conducting an extensive exploration programme overseas in Australia with Superior Oil and Canadian Superior and in New Zealand a nickel concession is under investigation, again in partnership with these companies. Work on the latter property should accelerate in the near future.

#### CAPITALIZATION - as at December 31, 1967

	<u>Authorized</u>	<u>Issued</u>
Common Shares NPV	3,000,000	2,389,282

#### SELECTED STATISTICS

Year Ended December 31	1967	1966	1965
<u>Income Statement (000)</u>			
Gross Revenue	\$ 14,213	\$ 16,506	\$ 14,613
Operating Income	1,799	3,681	1,770
Investment Income	7,123	7,184	7,127
Depreciation & Amortization	1,190	1,055	1,031
Exploration Expenditures	1,183	1,004	947
Current & Deferred Taxes	316	605	165
Net Income	7,318	9,028	7,689
<u>Working Capital (000)</u>			
	18,230	3,332	3,358
<u>Per Common Share</u>			
Cash Flow	3.69	4.31	3.70
Net Earnings	3.06	3.78	3.22
Dividends	2.80	2.70	2.40

# McINTYRE PORCUPINE MINES LTD.

1968	Current	Earnings per Share	Indicated	Price/Earnings	Yield
High	Low	Price	Dividend	Ratio +	
\$97	\$77	\$90	\$3.06	\$2.50E	2.55%
E—Estimated.					

+ Based on estimated 1968 earnings.

Around present prices, the shares of McIntyre Porcupine are an attractive "special situation." Now controlled by The Superior Oil Group, the Company appears to be taking a more aggressive approach to mine finding and financing. The shares are currently trading near their underlying asset value, and the small number of outstanding shares provides leverage. This could result in a favourable price movement in the event of significant new developments. Of particular interest at this time, is the exploration of the New Zealand nickel property and the negotiations to develop the Alberta coal deposits.

The most important asset of McIntyre is its 37% interest in Falconbridge Nickel Mines Ltd.

The Madeleine Mines in the Gaspé area is expected to be in production in the second quarter of next year. We anticipate that negotiations may soon be consummated to put the coal property into production. Over the next two years or so McIntyre's earnings could rise to \$4.50-\$5.00 per share.

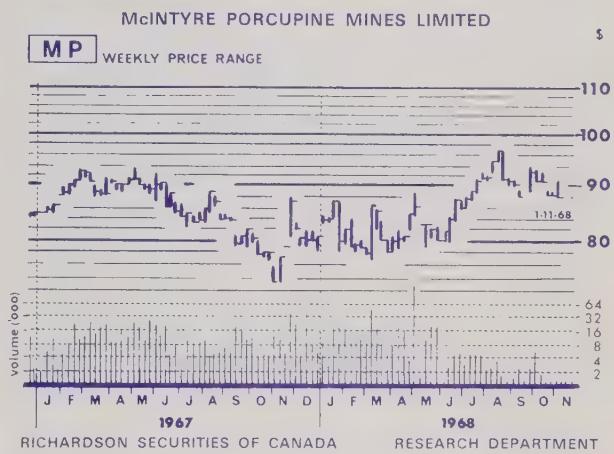
## THE COMPANY

McIntyre commenced gold mining operations at Timmins, Ontario, in 1912 and is still producing at the rate of 1,000 tons daily. A mill to treat 1,000 tons of copper ore daily was installed in 1963.

The Company's most important asset, however, is its investment in Falconbridge Nickel Mines Limited. As of March, 1968, it held 1,804,401 shares, or a 37% interest.

Lorraine Mining Co. Ltd., an 80% owned subsidiary, operated a 500 ton per day copper-nickel mine at Bellterre, Quebec, from December 1964 to mid-1968, when the ore was exhausted.

Coal deposits in the Smoky River Area of north-western Alberta have been under study for some time



and an agreement with Japanese interests is being negotiated to ensure markets and enable financing of the project. Capital cost is estimated at \$40 million.

McIntyre is financing Madeleine Mines to production through a \$15 million financing programme. The mine, located in the Gaspé area, is scheduled for production in the second quarter of 1969 and will be controlled by McIntyre.

In July, 1966, control of McIntyre was acquired by The Superior Oil Company of Houston, Texas, and its

## INDEX

Volume 23	Issue 11	November, 1968
Page		
McINTYRE PORCUPINE MINES LTD..... 1-4		
QUOTATIONS:		
Preferred Shares.....	5	
Common Stocks.....	6-7	
Mutual Funds.....	7	

VERSION FRANCAISE ENVOYÉE SUR DEMANDE

subsidiary, Canadian Superior Oil Ltd. As of February, 1968, the Superior Oil Group held 938,840 shares or a 39% interest.

### MAIN INTERESTS

**FALCONBRIDGE NICKEL MINES LIMITED** (37% interest)—Earnings are expected to experience a rising trend as a result of a number of new projects. The Westfrob iron project in the Queen Charlotte Islands, B.C., is now operating normally and should henceforth make a substantial contribution to earnings. The Strathcona mine at Sudbury came on stream in the spring of 1968 at one-half of its 6,000 ton per day capacity. The balance came into production in August and full capacity should be reached in early 1969. Also at Sudbury, an iron-sulphur plant is expected to be in production in late 1969 with an annual production of 300,000 tons of iron pellets grading 90% iron and 1.5% nickel. After a shakedown period, a second unit will be built. Total capital cost is estimated at \$60 million.

At present, financing is being negotiated for a \$150 million (U.S.) nickel operation in the Dominican Republic to produce 50 million lbs. of nickel annually in the form of ferro-nickel. Two other nickel projects are being explored, New Quebec Raglan and Bowden Nickel. New Quebec Raglan has indicated about six million tons of 3% nickel plus about ten million tons of 2½% combined copper-nickel. Its location in Ungava will hinder exploitation and future development may well depend on outcome of the Carter Report recommendations. Bowden Nickel, located in Northern Manitoba, has indicated 40-50 million tons grading around 0.8% nickel. Economic studies are being completed.

Investment income has been declining, largely due to lower income from La Luz, and Lake Dufault, but earnings from new projects will rise sharply in the next few years.

We estimate Falconbridge earnings, based on presently planned projects, as follows:

Estimated Earnings per Share :	
1968.....	\$5.45
1969.....	\$6.10
1970.....	\$6.50
1971-72.....	\$9.00
1973-74.....	\$9.50

**THE MCINTYRE MINE**—Reserves of gold ore as of the end of 1967 were reported at 807,800 tons grading 0.326 oz. gold per ton, down about 50,000 tons from 1966. Production in 1967 was 323,370 tons, down from 403,000 tons in 1966. Reserves are steadily declining. The modest profit is entirely dependent on cost aid.

Copper ore reserves were reported at 4,211,500 tons grading 0.82% copper at the end of 1967. Reserves are being maintained but grade has declined. In view of the low grade and underground mining, production costs are high (38¢ per lb. of copper in 1967). An operating profit of \$2,164,000 was, however, generated in 1967 as a result of higher copper prices. In 1968, operating profit from the copper mine will decline sharply—possibly by one half.

**MCINTYRE COAL MINES LIMITED**—The coal property is located about 100 miles north of Jasper in the Alberta foothills. Reserves indicated to date are about 500 million tons of high grade metallurgical coal of which about one half can be mined from an adit. A pilot mining project was carried out in 1967 at a cost of \$2 million to determine mining conditions and operating costs. Approximately \$40 million will be required to bring the property into production. Negotiations are presently underway with Japanese interests to obtain sales contracts. A production rate of two million tons annually is possible which should make a substantial contribution to earnings.

**MADELEINE MINES LIMITED**—In addition to a 26% direct interest, McIntyre also has an indirect interest through its 28.5% in Frobex Ltd. which holds 35.4% of Madeleine. McIntyre has operating control and is committed to provide \$12,500,000 to bring the property to production through purchase of 5% income bonds and shares as units comprising \$1,000 bond and 80 shares at \$1,000 per unit. McIntyre has agreed to provide a further \$2,500,000 if necessary.

Ore reserves are indicated at 5,250,000 tons grading about 1.4% copper plus about 0.4 oz. silver per ton. A mill rate of 2,500 tons per day is planned and the orebody lends itself to low cost mining. At a price for copper of 40¢ per lb. (Can.) an operating profit of

\$5.23 per ton of ore is possible, resulting in an annual net profit of \$3-3.5 million. McIntyre's direct interest would be in the order of 35¢ per share. Initial production is expected in the second quarter of 1969.

## EXPLORATION

Exploration expenditures have increased in recent years from a level of \$700,000 in 1964 to nearly \$1,200,000 in 1967. Further increases in 1968 are likely.

The Company participates in exploration on its own and through syndicates. An extensive programme has been carried out on concessions in Newfoundland. A programme in Gaspesian Provincial Park in Quebec commenced in 1967 and continued in 1968. Exploration on extensive holdings north of Timmins, Ontario, during 1967 was to be continued with drilling in 1968.

McIntyre, in partnership with the Superior Oil Group, is expanding its exploration programme in Australia. In New Zealand, the partnership has acquired an interesting nickel property and an exploration programme is now underway. This project appears to be of considerable interest.

McIntyre participates in Frobex Ltd. (28.5%) which is active in exploration throughout Canada. A 28% interest is held in DeNiza Mining Corporation, which is also managed by McIntyre. It was organized to prospect for porphyry copper deposits in Southwest U.S.A. Targets indicated by airborne surveys in 1967, were drilled with negative results.

## FINANCIAL

The market value of the Company's investments has grown substantially over the past five years from \$56.16 per share in 1963 to \$74.48 at the end of 1967. At the end of June, 1968, the market value of investments was reported at \$83 per share, of which Falconbridge accounted for about 94%. McIntyre has no debt at present and, with investments valued at over \$200 million, has substantial borrowing power.

## EARNINGS AND DIVIDENDS

Net earnings reached a peak of \$3.78 per share in 1966 after rising steadily since 1961. The increase was due mainly to rising investment income from the acquisition of a controlling interest in Falconbridge in 1961. Also, the copper orebody came into production in 1963, followed by initial production from the Lorraine Mining Co. in 1964. Higher copper prices were an important factor in 1966.

Earnings declined in 1967, due primarily to lower copper prices. In 1968, earnings for the first six months were \$1.24 per share and for the full year we estimate \$2.50 per share. The decline is a result of lower copper prices and declining production at the Lorraine mine.

Looking ahead to 1969, Madeleine Mines should come into production in the second quarter and McIntyre's direct interest in earnings are expected to be about 35-40¢ per share. We anticipate that negotiations will be consummated to put the coal property into production, and earnings from this source could be in the order of \$1.50-\$2.00 per share. Thus, over the next 2-3 years, McIntyre's earnings could be in the \$4.50-\$5.00 range.

Dividends were reduced from \$2.80 per share to \$2.30 in 1968 to conserve funds for new projects.

## MANAGEMENT

The Superior Oil Group acquired 200,000 shares of McIntyre in 1966 and by the end of February, 1968, had increased its holdings to 938,840 shares or 39.3% interest. There have been a number of management changes, obviously inspired by the Superior interest, which are emphasizing a much more aggressive approach. Management philosophy now appears to be one of expanding exploration activities in Canada and Australia and a more aggressive attitude to mine acquisition and financing.

## FINANCIAL SUMMARY

	<b>1967</b>	<b>1966</b>	<b>1965</b>	<b>1964</b>	<b>1963</b>
Metal Sales.....	\$13,242,000	\$15,343,000	\$13,336,000	\$ 9,655,000	\$8,197,000
Emergency gold mining assistance..	971,000	1,163,000	1,277,000	1,085,000	1,340,000
	14,213,000	16,506,000	14,613,000	10,740,000	9,537,000
Operating costs.....	12,414,000	12,825,000	12,843,000	9,780,000	9,077,000
Operating income.....	1,799,000	3,681,000	1,770,000	960,000	460,000
Investment income.....	7,123,000	7,184,000	7,127,000	6,013,000	5,189,000
Net income.....	7,318,000	9,028,000	7,689,000	5,990,000	5,022,000
Net income per share.....	3.06	3.78	3.22	2.51	2.10
Dividends paid per share.....	2.80	2.70	2.40	1.80	1.60
Shareholders' equity with investments at market					
Per Share.....	\$84.31	\$77.09	\$93.10	\$76.05	\$59.46

## CAPITALIZATION

**As of December 31, 1967**

			Authorized		Issued
Common Stock—no par value.....			3,000,000 shares		2,389,282 shares
<b>Price Range—31/10/68</b>	<b>1968</b>	<b>1967</b>	<b>1966</b>	<b>1965</b>	<b>1964</b>
High.....	97.00	93.88	108.50	94.00	69.50
Low.....	77.00	73.00	83.50	66.25	52.00
Mean.....	87.00	83.44	96.00	80.12	60.75
Last.....	88.25				
Mean P/E Ratio.....	35.3†	27.2	25.4	24.9	24.2
					24.1

† Based on estimated earnings per share of \$2.50 in 1968.

## PREFERRED STOCK QUOTATIONS

(As at October 31, 1968)

# CBC RADIO BROADCAST

## Daily From The TORONTO STOCK EXCHANGE

On September 30th, the Canadian Broadcasting Corporation commenced a daily Stock Market Report at 3.55 p.m., broadcast "live" on its national radio network from the Toronto Stock Exchange.

This daily programme takes the form of a conversation between William McNeill, CBC broadcaster, and T.S.E. staff member Mrs. C. MacKay.

The informal discussions include a brief review of the day's market activity and questions and answers relating to the market and investment terminology. Regular listeners will become familiar with the T.S.E. Indices and their function, factors affecting the market and the sources and kinds of information available to investors.

Security	Par Value	Cur't Call Price	Div. Rate	Price	Yield %
----------	-----------	------------------	-----------	-------	---------

### CUMULATIVE

Alberta Gas Tr. 4½%.....	100.00	105.00	4.75	75.50	6.29
Aluminum 4½% 2nd.....	50.00	52.50	2.25	35.00	6.43
Argus Corp. \$2.60.....	50.00	52.50	2.60	33.25	6.60
Atlantic Sugar "A".....	NPV	NC	1.20	15.38	7.80
B.C. Tel. 4%.....	100.00	104.00	4.75	71.00	5.80
B.C. Tel. 6.80%.....	25.00	26.50	1.70	27.50	6.15
Cda. Cement 6½%.....	20.00	30.00	1.30	20.00	6.50
Cdn. Canners "A" *.....	NPV	NC	.40	8.50	4.71
Cdn. Pacific 4%†.....	3.00	NC	4%	9.88	6.07
Cdn. Western Nat. 4%.....	20.00	20.60	.80	13.25	6.04
Chemcell \$1.75.....	25.00	40.00	1.75	25.50	6.92
Dom. Foundries 4%.....	100.00	105.00	4.75	88.00	5.40
Domtar \$1.00.....	23.50	25.00	1.00	15.13	6.61
Loblaw Companies \$2.40....	50.00	50.00	2.40	36.50	6.58
Loblaw Gr. \$1.50 1st "A" ...	30.00	35.00	1.50	23.00	6.52
Metro Stores \$1.30.....	20.00	21.25	1.30	19.25	6.75
Nor'westn. Utilities 4%.....	100.00	103.00	4.00	65.00	6.15
Power Corp 4%.....	50.00	52.38	2.375	36.00	6.60
Traders Group 5%.....	40.00	40.50	2.00	27.75	7.21
Westfair "A" ‡.....	NPV	NC	2.00	31.38	6.37
Geo. Weston 4½%.....	100.00	104.00	4.50	75.00	6.00
Geo. Weston 6%.....	100.00	105.00	6.00	97.00	6.19
Zellers 4½%.....	50.00	50.50	2.25	41.00	5.49

### CUMULATIVE, CONVERTIBLE

Alcan Aluminium 4½%.....	40.00	43.00	1.70	34.25	4.89
Anglo-Cdn. Pulp 4½%.....	25.00	27.25	1.12½	15.00	7.50
Cdn. Gen'l Elec. \$1.25.....	28.00	NC	1.25	31.50	3.97
Calgary Power 5.40%.....	100.00	105.00	5.40	106.00	5.07
Cdn. Pacific Inv. 4%.....	20.00	20.00§	.95	27.38	3.47
Cygnus Corp. 5½%.....	20.00	21.00	1.10	25.75	4.27
Int'l Utilities \$1.32¢.....	NPV	33.00(U S )	1.42	49.50	2.92
John Labatt \$1.00.....	18.00	18.00§	1.00	22.25	4.49
N. & Cent. Gas 2nd A.....	25.00	27.50	1.06	29.00	3.66
N. & Cent. Gas 2nd B.....	25.00	26.50	1.50	35.50	4.23
Power Corp. 5% A.....	12.00	12.00§	.60	14.00	4.29
Shell Investments 5½%.....	20.00	20.00§	1.10	33.75	3.26
Traders Group 5% A.....	30.00	30.00§	1.50	25.00	6.00

\*Participating.

+Non-cumulative.

†Traded in units of 5 shares.

‡Payable in U.S. Funds. Rate shown in Canadian Funds

§Not currently redeemable.

# COMMON STOCK QUOTATIONS

(As at October 31, 1968)

Security	Indicated Div. Rate <sup>①</sup>	E.P.S. (Z)	Price	Yield %	P/E (X)	Security	Indicated Div. Rate <sup>①</sup>	E.P.S. (Z)	Price	Yield %	P/E (X)
<b>BANKS AND FINANCIAL</b>											
Bank of Montreal.....	.56+.04	.68	14.38	4.17	21.1	Atlantic Sugar.....	.25	1.14	6.38	3.92	5.6
Bank of Nova Scotia.....	.64+.02	.86	22.00	3.00	25.6	Beaver Lumber.....	.50	.98	19.50	2.56	19.9
Banque Can. Nationale.....	.60+.03	.77	12.75	4.94	16.6	B.C. Sugar.....	2.00+.70	3.98	44.00	6.14	11.1
Banque Provinciale.....	.40+.04	.53	9.38	4.69	17.7	Burns Foods.....	.25	1.16	21.38	1.16	18.4
Cdn. Imperial Bank.....	.60	.76	18.25	3.29	24.0	Cda. & Dominion Sugar.....	1.40	2.32	37.00	3.78	15.9
Royal Bank.....	.72	.91	21.88	3.29	24.0	Cda. Packers "A".....	.56	1.34	22.38	2.50	16.7
Toronto-Dominion Bank.....	.60	.82	18.13	3.31	22.1	Cdn. Tire Corporation.....	.28	1.47	67.00	.42	45.6
Argus Corporation.....	.56	.69	17.50	3.20	25.4	Codville Distributors.....	.18	.51	8.38	2.15	16.4
Guaranty Trust.....	.48	.80	9.88	4.86	12.4	Crush International.....	.40	1.06	23.75	1.68	22.4
Huron and Erie.....	.52	.74	13.00	4.00	17.6	Dominion Stores.....	.72	1.30	16.75	4.30	12.9
Industrial Acceptance.....	1.30	2.18	26.25	4.95	12.0	Federal Grain.....	.40+.05	.54	8.50	5.29	15.7
Investors Group "A".....	.40	.67	9.50	4.21	14.2	General Distributors.....	Nil	.38	13.00	....	34.2
National Trust.....	.64+.06	1.10	21.25	3.29	19.3	Horne & Pitfield.....	.05	.39	4.00	1.25	10.3
Power Corporation.....	.44	.44	12.25	3.59	27.8	Hudson's Bay Company.....	.50	1.04	22.50	2.22	21.6
Traders Group "A".....	.60	.91	12.25	4.90	13.5	Loblaw Companies "A".....	.38	N/A	9.00	4.22	....
<b>BREWERS AND DISTILLERS</b>											
Canadian Breweries.....	.40	.62	8.88	4.50	14.3	M. Loeb.....	.20	.80	12.13	1.65	15.2
H. Corby.....	1.00+.85	2.98	35.00	5.29	11.7	Maple Leaf Mills.....	.80+.05	1.72	19.00	4.47	11.0
Distillers Seagrams.....	1.00	2.91	48.00	2.08	16.5	Metropolitan Stores.....	Nil	1.72	49.25	....	28.6
John Labatt.....	.60	1.10	10.00	3.16	17.3	Oshawa Wholesale "A".....	.18	.86	44.00	.41	51.2
Molson "A".....	.72	1.50	26.75	2.69	17.8	Salada Foods.....	.40	.86	13.00	3.08	15.1
Hiram Walker .....	1.20+.25	2.54	38.25	3.79	15.1	Shop & Save.....	.40	.97	21.63	1.85	22.3
<b>CHEMICALS AND TEXTILES</b>											
Canadian Industries.....	.50	.70	15.00	3.33	21.4	Simpson's.....	.64	1.82	37.00	1.73	20.3
Chemcell.....	.24	.46	11.38	2.11	24.7	Simpsons-Sears.....	.40	.90	31.50	1.27	35.0
Dominion Textiles.....	.60	1.66	16.88	3.55	10.2	Steinberg's "A".....	.36	1.10	16.00	2.25	14.5
DuPont of Canada .....	1.00	1.30	39.25	2.55	30.2	George Weston "A".....	.75	1.72	22.13	3.39	12.9
Union Carbide.....*	.60	.97	20.50	2.93	21.1	Woodward "A".....	.46	.90	20.50	2.24	22.8
<b>CONSTRUCTION</b>											
Canada Cement.....	1.20	1.94	35.00	3.43	18.0	Zeller's.....	.22	.48	16.00	1.38	33.3
Dominion Bridge.....	.80	1.94	18.00	4.44	9.3	<b>MINES AND METALS</b>					
<b>ELECTRICAL AND ELECTRONIC</b>											
Cdn. Westinghouse.....*	.50	.70	15.00	3.33	21.4	Advocate.....	Nil	.31	3.25	....	10.5
C.A.E. Industries.....	.30+.03	.52	9.50	3.47	18.3	Aican Aluminium.....	* 1.08	1.94	28.88	3.74	14.9
Electrohome.....	.20	.53	16.50	1.21	31.1	Asbestos Corporation.....	* 1.00	1.50	22.63	4.42	15.1
FPE Pioneer.....	.56	1.68	25.75	2.17	15.3	Aunor.....	* .20	.20	3.30	6.06	16.5
<b>HEAVY INDUSTRY</b>											
Acklands.....	.16	1.74	14.38	1.11	8.3	Bethlehem Copper.....	* 1.05	1.05	15.88	3.46	15.1
Algoma Steel.....*	1.00	1.22	21.25	4.71	17.4	Brunswick.....	Nil	Def.	7.35	....	....
Anthes Imperial A.....	.68	2.00	46.25	1.47	23.1	Cdn. British Aluminium "A".....	.40	.90	19.38	2.08	21.5
Canron.....	1.00	1.72	17.75	5.63	10.3	Cassiar Asbestos.....	* .40+.20	.79	16.00	3.75	20.3
Dominion Foundries.....*	.80	1.52	23.50	3.40	15.5	Cominco.....	* 1.40	2.31	32.00	4.38	13.9
Ford of Canada.....*	5.00+2.50	19.04	272.00	2.76	14.3	Conwest Exploration.....	* .12	.24	9.05	1.33	37.7
Goodyear Tire of Canada....*	Nil	15.07	171.00	....	11.3	Craigmont Mines.....	* 1.00	2.15	10.13	9.87	4.7
Hawker Siddeley.....	Nil	.18	4.25	....	23.6	Denison Mines.....	* 1.40	2.21	73.75	1.90	33.4
Hayes Dana.....	.44	.50	14.00	3.14	28.0	Dickenson Mines.....	* Nil	.24	3.40	....	14.2
Interprov Steel.....	Nil	.51	5.25	....	10.3	Dome Mines.....	* .80	1.64	66.50	1.20	40.5
Kelsey-Hayes.....	.50	.95	16.00	3.13	16.8	East Sullivan.....	* .60	.87	6.35	9.45	7.3
Levy Industries.....	Nil	2.87	34.25	....	11.9	Falconbridge.....	* 3.00+.50	5.25	98.25	3.56	18.7
Massey-Ferguson.....	1.00	1.47	19.75	5.06	13.4	Giant Yellowknife.....	* .40+.05	.33	11.38	3.95	34.5
Ontario Steel.....	1.00+.30	2.13	38.13	3.41	17.9	Highland-Bell.....	* .40	.37	16.00	2.50	43.2
Slater Steel.....	.60	1.23	14.00	4.29	11.4	Hollinger.....	* 1.20	2.37	34.25	3.50	14.5
Steel of Canada.....*	1.00	1.94	27.63	3.62	14.2	Hudson Bay Mining.....	* 3.40+.60	5.93	73.00	5.48	12.3
Versatile Mfg.....	.24	1.01	14.00	1.71	13.9	International Nickel.....	* * 1.29	2.06	40.50	3.19	19.7
Westeel-Rosco.....	.60	1.55	14.63	4.10	9.4	Kerr-Addison.....	* .56	.41	19.75	2.84	48.2
<b>RICHARDSON SECURITIES OF CANADA</b>											
						6					

Security	Indicated Div. Rate <sup>(Z)</sup>	E.P.S. (Z)	Price	Yield %	P/E (X)	Security	Indicated Div. Rate <sup>(Z)</sup>	E.P.S. (Z)	Price	Yield %	P/E (X)						
<b>MINES AND METALS—Continued</b>																	
Opemiska Copper..... <sup>*</sup>	.60+.20	.93	'8.85	9.04	9.5	Great Lakes Paper.....	1.00	1.17	21.00	4.76	17.9						
Patino Mining.....	.25+.05	.60	36.50	.82	60.8	MacMillan Bloedel.....	1.00	1.74	26.38	3.79	15.2						
Pine Point.....	5.00	7.58	45.00	11.11	5.9	Price.....	.75	1.10	12.13	6.18	11.0						
Placer.....	.80	2.20	31.00	2.58	14.1	Scott Paper.....	.80	1.76	24.13	3.32	13.7						
Rio Algoma Mines..... <sup>*</sup>	.40	.94	34.00	1.18	36.2	Weldwood.....	.50	.76	22.38	2.23	29.4						
Sherritt Gordon..... <sup>*</sup>	.20	.47	6.50	3.08	13.8												
Silverfields..... <sup>*</sup>	.15	.50	3.80	3.95	7.6	<b>TRANSPORTATION</b>											
Siscoe Mines..... <sup>*</sup>	.07	.16	2.99	2.34	18.7	Algoma Central.....	.32	.56	10.50	3.05	18.8						
Steep Rock Mines..... <sup>*</sup>	.30	.51	7.00	4.29	13.7	Canada Steamship.....	1.00+.30	2.33	33.50	3.88	14.4						
United Keno..... <sup>*</sup>	Nil	.75	7.00	....	9.3	Cdn. Pacific Railway..... <sup>†</sup> 1.50+1.50	3.59	71.50	4.20	19.9							

#### OIL AND GAS

Banff.....	* Nil	.16	12.25	....	76.6	Bow Valley.....	.10	.62	25.25	.40	40.7						
B.A. Oil..... <sup>*</sup>	1.10	2.01	47.00	2.34	23.4	B.A. Bank Note.....	2.00+.90	3.64	53.00	5.47	14.6						
Cdn. Export.....*	Nil	N/A	9.25	....	....	Imperial Tobacco.....	.70+.10	1.28	16.75	4.78	13.1						
Cdn. Petrofina.....	.60	1.08	18.00	3.33	16.7	Moore Corporation..... <sup>†</sup>	.48	1.12	29.13	1.65	26.0						
Cdn. Superior.....*	Nil	.44	53.75	....	22.2	Rothman's.....	1.00	2.54	25.00	4.00	9.8						
Central-Del Rio..... <sup>*</sup>	.22+.04	.57	15.75	1.65	27.6	Southam Press.....	1.20	2.15	54.00	2.22	25.1						
Dome Petroleum.....*	Nil	2.51	79.00	....	31.5												
Great Plains..... <sup>*</sup>	.40	1.02	24.00	1.67	23.5	<b>MISCELLANEOUS</b>											
Home "A"..... <sup>*</sup>	.35+.15	1.01	31.88	1.57	31.6	Bell Telephone.....	2.50	3.16	45.13	5.54	14.3						
Hudson's Bay Oil..... <sup>*</sup>	.50	1.19	38.00	1.32	31.9	Brazilian..... <sup>†</sup> *	1.08	3.19	19.63	5.50	6.2						
Husky Oil Canada..... <sup>*</sup>	.30	.90	26.00	1.15	28.9	B.C. Telephone.....	2.60	4.49	63.13	4.12	14.1						
Imperial..... <sup>‡*</sup> 2.00+.10	2.98	75.75	2.77	26.4	Calgary Power.....	.80	1.59	26.00	3.08	16.4							
Numac.....	Nil	Def.	7.30	....	....	Canadian Utilities.....	1.70	2.76	46.00	3.70	16.7						
Pacific Petroleum..... <sup>*</sup>	.15	.53	22.50	.67	42.5	Consumers Gas.....	.72	.86	21.75	3.31	25.3						
Shell Canada "A"..... <sup>*</sup>	.50	1.49	31.00	1.61	20.8	Great Lakes Power.....	1.20	1.75	20.13	5.96	11.5						
Texaco Canada..... <sup>*</sup>	.80	1.74	34.00	2.35	19.5	Inland Natural Gas.....	.50	.89	13.83	3.60	15.0						
Union Oil..... <sup>*</sup>	Nil	1.43	50.00	....	35.0	International Utilities.....	1.40	2.93	49.25	2.84	16.8						

#### PIPELINES

Alberta Gas "A".....	1.50	1.88	36.13	4.15	19.2	Quebec Natural Gas.....	Nil	.23	16.25	....	70.7							
Interprovincial Pipe.....	.72	.89	22.00	3.27	24.7	Quebec Telephone.....	.70	1.20	17.38	4.03	14.5							
Pembina Pipe.....	Nil	.85	20.75	....	24.4	Union Gas.....	.44	.60	18.38	2.39	30.6							
Trans Canada Pipe.....	1.00	1.46	37.88	2.64	25.9													
Trans Mountain Pipe..... <sup>1.00+.10</sup>	1.71	14.00	7.86	8.2	<b>MUTUAL FUNDS</b>													
Trans Prairie..... <sup>*</sup>	.40	.67	11.75	3.40	17.5	(As at October 31, 1968)												
Westcoast Transmission.....	.25	1.29	29.25	.85	22.7													
Western Pacific..... <sup>*</sup>	.25	.31	5.50	4.55	17.7	<b>Security</b>	<b>Ind. Div.</b>	<b>Offering Price</b>	<b>Approx. Yield %</b>									

#### PULP, PAPER AND LUMBER

Abitibi.....	.36	.71	8.00	4.50	11.3	Cdn. Investment.....	.16	4.78	3.35		
B.C. Forest.....	1.00	1.38	25.50	3.92	18.5	Investors Mutual.....	.17	6.16	2.76		
Columbia Cellulose..... <sup>*</sup>	Nil	Def.	4.30	....	....	Investors Growth.....	.21	12.95	1.62		
Consolidated-Bathurst.....	1.00	2.40	17.00	5.88	7.1	Investors Int'l.....	.07½	9.66	0.78		
Crown Zellerbach Cda. "A"..... <sup>*</sup>	1.00	1.21	19.00	5.26	15.7	Nat. Resources Growth.....	.09	8.92	1.01		
Domtar..... <sup>*</sup>	.60	.60	11.13	5.39	18.6						

(X) Price/Earnings Ratio based on earnings for latest fiscal year.

(Z) Earnings (Loss) per share for latest fiscal year; adjusted for stock splits, etc.; converted into Canadian funds where necessary.

<sup>†</sup>As indicated by most recent dividend announcement and/or payments in the past 12 months.

<sup>†</sup>Payable in U.S. funds. Rates shown in Canadian Funds

<sup>‡</sup>According to the provisions of the Income Tax Act (Canada) Canadian taxpayers are permitted depletion allowances on dividends at rates ranging from 10 to 20%.

\*Believed to be exempt from Interest Equalization Tax in hands of U.S. residents.

Withholding taxes at the applicable rates will be deducted at source from dividends and interest payable to non-residents of Canada by Canadian companies

THE INFORMATION CONTAINED HEREIN WAS OBTAINED FROM SOURCES WE BELIEVE TO BE RELIABLE, BUT WE DO NOT GUARANTEE ITS ACCURACY. THIS PUBLICATION IS FOR YOUR CONVENIENCE AND INFORMATION AND IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY OF THE SECURITIES MENTIONED, IN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF. EMPLOYEES AND PERSONS HAVING A DIRECT OR INDIRECT INTEREST IN OUR ORGANIZATION MAY HAVE AN INTEREST IN OR PURCHASE AND SELL THE SECURITIES REFERRED TO HEREIN.

PRINTED IN  
CANADA  
WINNIPEG

# RICHARDSON SECURITIES OF CANADA

SENIOR PARTNER: GEORGE T. RICHARDSON

## *Members*

All Stock Exchanges in Canada

Midwest Stock Exchange

The Investment Dealers' Association of Canada

Major Canadian and U.S. Commodity Exchanges

HEAD OFFICE: WINNIPEG, MANITOBA

BRITISH COLUMBIA	MANITOBA	QUEBEC
Vancouver	Winnipeg	Montreal
Victoria	Brandon	Quebec
Prince George	ONTARIO	NEW BRUNSWICK
ALBERTA	Toronto	Saint John
Calgary	Ottawa	Fredericton
Edmonton	Hamilton	Moncton
Lethbridge	London	
Medicine Hat	Windsor	NOVA SCOTIA
SASKATCHEWAN	Chatham	Dartmouth
Regina	Galt	Halifax
Saskatoon	Kitchener	PRINCE EDWARD ISLAND
Moose Jaw	Kingston	Charlottetown
Swift Current	Simcoe	Summerside
	Kenora	

UNITED KINGDOM: London



## *U.S. Affiliate*

RICHARDSON SECURITIES, INC.

New York

Chicago

# Investment Securities Review

*featuring*

McINTYRE  
PORCUPINE MINES LTD.

NOVEMBER 1968

RICHARDSON SECURITIES  
OF  
CANADA

AFFILIATE OF

*James Richardson & Sons Limited*  
Established 1855

728,000

7,318,520  
306

McINTYRE Porcupine M.L.

file

AR23

ADDRESS OF THE CHIEF EXECUTIVE OFFICER  
TO THE SHAREHOLDERS ANNUAL MEETING  
MAY 7, 1969

Welcome

I am very pleased to welcome you to this, the fifty-seventh annual meeting of McIntyre shareholders. Your interest in the Company is appreciated, and I hope you will feel free to participate by asking, at the appropriate time, any questions you may have.

Earnings and Dividends

Earnings for 1968, at \$2.82 per share, were down from \$3.06 in 1967, reflecting the loss of income from the Lorraine mine which closed in August, 1968, following exhaustion of the orebody. The peak earnings of McIntyre were in the years 1965 to 1967 inclusive, during which the Lorraine mine, which was short-lived but profitable, contributed a total of \$1.30 per McIntyre share.

In the first quarter of 1969, earnings were 73 cents per share, compared with 74 cents per share for the same period one year ago. Although production of gold and copper was higher, the improvement was more than offset by the effect of lower copper prices.



Moderately lower earnings are anticipated for 1969, but we are forecasting substantially higher earnings in 1970 when production from the Coal Division makes its initial impact on income. A favourable development, which occurred a few days ago, was an agreement with our coal customers for the sale of up to 900,000 tons of pre-production coal, with deliveries starting at the end of January, 1970. This coal will be produced from the mines during the development period and will result in earlier and significantly increased cash flow in 1970.

Dividends of \$2.30 per share were paid in 1968, at the quarterly rate of 57 1/2 cents. In February, 1969, your directors declared a dividend of 50 cents per share. The reduction in quarterly rate, as explained to shareholders at that time, was directed to conserving funds for the Smoky River coal project, to provide cash requirements for bringing the Madeleine mine to production, and for the financing of our expanded exploration program.

#### Investments

Our important investment position in Falconbridge Nickel Mines Limited is viewed with continuing satisfaction. Quite apart from its investment aspect, we are pleased that it provides McIntyre with the opportunity to participate in the growth of this large, world-wide mining complex. The many



projects which Falconbridge has under way, some in the course of construction, others about to be launched, indicate a continued aggressive and imaginative policy of expansion directed towards establishing a broadened base for future earnings.

In 1968 Falconbridge's earnings were down moderately from those of 1967. However, in the first quarter of this year, earnings of \$1.72 per share were sharply higher than the \$1.07 reported for the same period last year.

The cost of our investment in Falconbridge was \$100,187,000 and the quoted market value at May 2 this year was \$234,370,000.

#### Mines

##### Lorraine

Disposal of mining plant is almost complete and total sales will be close to the estimated salvage value of \$375,000. The Winneway power plant, owned by Lorraine, is being operated on a better than break-even basis, supplying power to the Town of Belleterre and to local industry.

##### Madeleine

The terms of the Madeleine financing agreement are fully set out in the Annual Report. When all financing is completed, McIntyre will hold directly approximately 30% of the issued capital of Madeleine, and will control directly, and through Frobex Limited, slightly over 50%.



To March 31st this year, \$9.3 million has been spent at the Madeleine property, and estimates indicate that a further expenditure of \$3.9 million will be needed for additional mine development, supplies, start-up costs, and working capital necessary to carry the operation until receipt of the first smelter returns in October.

Progress continues at the minesite with copper concentrate production scheduled for the latter part of this month. Installation of major equipment is now largely completed. When full production is attained, 2,500 tons of ore per day will be processed. A contract has been signed with Gaspe Copper Mines Limited of Murdochville, Quebec, for the treatment and sale of the copper concentrates produced.

Ore reserve estimates, which are confined largely to the main zone, total 5.3 million tons of 1.36% copper after allowing for dilution. This zone is open at depth. In addition, preliminary drilling has indicated the possibility of further ore in the North and Footwall zones.

Underground exploration work is also planned here after normal production has been attained. Surface exploration work, hitherto confined to the present minesite, will be extended to other areas of the property during the coming summer.



Total manpower requirements, following commencement of production, are estimated at 150 men. It is anticipated that about 80% of the requirements will be filled by local residents.

McIntyre Mine Division

The Schumacher operation is maintaining production at a combined treatment rate of 3,000 tons per day in the ratio of one ton of gold ore to two tons of copper ore.

Gold ore reserves at year end showed only a moderate decline after normal tonnages were milled. Following the closing of the neighbouring Hollinger mine earlier in the year, McIntyre obtained a lease for the development and mining of any ore left on the property. Limited exploration to date in the boundary areas has proved successful in finding minor tonnages of ore. It is planned to accelerate this work.

Copper reserves were reasonably well maintained. The zone is known to continue to depth below the bottom developed level and, in addition, exploration has indicated other occurrences in the vicinity of the known orebodies. The success of our copper mining operations has warranted an expansion of our search for additional ore, and this work is at present under way.



Smoky River Coal Division

Detailed planning and design for the Smoky River coal project are largely completed. Roads have been built and power and telephone lines to the minesite have been installed. Construction of the mine buildings and houses was begun in late March as soon as weather permitted, and is proceeding on schedule. Most major construction contracts have been awarded. Arrangements have also been made for the sale of reject coal to supply the requirements of a thermal generating plant to be constructed at the minesite by Canadian Utilities Limited.

Underground development work was resumed in late 1968 on a limited scale, with the major development program scheduled to begin in mid-1969 when additional mine equipment is delivered.

Exploration to prove up additional reserves of mineable coal is continuing on our original leases and on other leases granted to us in the Smoky River area. The sale of development coal, which I mentioned earlier, will enable us to expand underground development at lower net cost, and over wider areas. We believe that negotiations scheduled to be resumed later this year will result in the sale of further substantial tonnages.

As we have announced, expenditures for the Smoky River coal operation will be in the neighbourhood of \$47 million.



Completely apart from the Smoky River district, McIntyre was recently granted a coal exploration permit covering 32 square miles in the Berland River area. This area lies about 65 miles south of the Smoky River leases and within four miles of the Alberta Natural Resources railway line. Geological indications are that this area contains medium volatile metallurgical coal amenable to low cost strip mining. A growing market also exists in Japan for this type of coal. If sufficient mineable reserves can be proven, it is more than likely that a sales contract will follow. An extensive exploration program on these leases has commenced.

#### Exploration

We are very much aware that the discovery or acquisition of new mineral deposits is essential to the continued existence of a mining company. Comprehensive exploration programs are being carried out in Canada, the United States, Australia and New Zealand, and we are just now completing arrangements for a joint exploration program in Africa. McIntyre is prepared to operate in other countries where favourable geological, economic and political factors are present.



Your company's exploration programs are designed to provide optimum exposure to a wide variety of potentially profitable situations through basic exploration, joint ventures, investment in other companies engaged in exploration, and through participation in projects with associated companies.

While mineral exploration becomes more expensive and competitive each year, more advanced techniques are continually becoming available and are being utilized to the extent practicable.

Early results from some of our current programs have provided encouragement. Included in these is a property being investigated north-east of Timmins, Ontario, where the four initial drill holes have intersected gold values over a length of 400 feet. An accelerated drilling program will test this structure along its length and at depth.

#### Industry Environment

Turning to the environment of our industry, there is on the positive side a strong demand for coal and other minerals. Uncertainty does exist, however, in the area of important labour contracts to be negotiated this year and, of considerable concern are the implied changes indicated in the recommendations made by the Royal Commission on Taxation with respect to the mining industry.



Governments in Canada have wisely pursued an enlightened and practical approach to taxation of mining companies. This has enabled the industry to become one of the strongest in the world. It is a high-risk industry, although, at the same time, a highly productive one and a high wage employer. With a record since the War of growth in output per employed person almost three times that of the economy as a whole, and twice that of manufacturing, it provides a large part of Canada's foreign exchange. Operating in a stable environment, both political and economic, the industry has been able to attract from Canada and abroad the huge amounts of capital required to develop and expand. Clearly the existence of such a valuable asset which provides a major part of the amenities enjoyed by Canadians should be preserved. However, the incentives that have contributed so much to the growth of the industry, namely the three-year tax exemption and the depletion allowance, are now being questioned by some as being inequitable.

It is obvious to us that increased taxation of mining income and its effect on the mining industry becomes a matter of simple arithmetic. Maintaining the incentives to permit continued expansion of the mining industry will result in higher



tax revenues available to government. Conversely, decreased mining income due to an increase in tax levies can only bring about lower exploration budgets and a lessening of the chances of finding new orebodies, all resulting eventually in lower tax revenues. Further, internal funds for capital expansion would be reduced, dictating a greater degree of high cost, and, in some cases, prohibitive debt financing. We believe that informed government leadership will prevail over those whose ill-conceived recommendations would inhibit and detract from an expanding mining industry which contributes so importantly to Canada's economy.

Conclusion

McIntyre has the financial, organizational and technological capabilities necessary to the successful pursuit of its program of corporate expansion. With the stimulus provided by the strong demand for coal and other minerals, persistent effort should produce the results we seek. The management of your company believes that McIntyre's future is bright indeed.

